



Modimolle-Mookgophong Local Municipality
(Registration number LIM 368)
Annual Financial Statements
for the year ended 30 June 2020

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

Modimolle-Mookgophong Local Municipality was established in terms of Section 12 of the Municipal Structures Act (112 of 1998). The merger took place on 11 August 2016.

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - All types of services rendered by the municipality, excluding the supply of housing of the community.

Waste Management Services - The collection, disposal and recycling of waste.

Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

Waste water management - Collection and purification of waste water.

Water Services - Supply and purification of water.

Executive Committee

Mayor

Executive Committee

Van Staden M.

Kola L.W.

Monepya N.E.

Mashaba R.P.

Mashitisho N.G.

Motshwene D.S.

Louw H.P.

Abrie J.J.

Kekana M.J.

Groenewald S.

Mocke B.

Monyela L.W.

Baloyi J.

Botha C.M.J.

Lebese J.M.

Mabunda K.N.

Mahoro R.J.

Monama D.M.

Moruwe L.K.

Mothabela M.M.

Phalane

Phele M.D.

Sethlabi M.M.

Prinsloo J.M.

Lekalakala K.E.

Seodisa S.M.

Mbedzi M.T.

Ramogale D.E.

Speaker

Chief Whip

Councillors

Accounting Officer

Dr S.M. Mhlanga

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

General Information

| | |
|--------------------------|--|
| Registered office | Harry Gwala Street OR Tambo Square Modimolle South Africa 0510 |
| Business address | Harry Gwala Street OR Tambo Square Modimolle South Africa 0510 |
| Postal address | Private Bag X 1008 Modimolle 0510 |
| Bankers | Standard Bank |
| Auditors | The Auditor General of South Africa |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

| | Page |
|---|---------|
| Acting Accounting Officer's Responsibilities and Approval | 4 |
| Audit Committee Report | 5 - 6 |
| Acting Accounting Officer's Report | 7 - 8 |
| Statement of Financial Position | 9 |
| Statement of Financial Performance | 10 |
| Statement of Changes in Net Assets | 11 |
| Cash Flow Statement | 12 |
| Statement of Comparison of Budget and Actual Amounts | 13 - 19 |
| Accounting Policies | 20 - 50 |
| Notes to the Annual Financial Statements | 51 - 99 |

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| CIGFARO | Chartered Institute of Government Finance and Risk Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Acting Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Modimolle-Mookgophong Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Dr. S.M. Mhlanga
Accounting Officer

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current financial year, a total of 21 meetings were held as follows

2 ordinary;

3 special; and

16 Investigations on section 32 expenditures jointly with MPAC were held.

The Audit Committee meetings from 01 July 2019 to 30 June 2020

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

| Name of member | Number of meetings attended |
|---|--|
| Mudau FJ (Chairperson) | Total Number -12 (Ordinary -2; Special - 3; Investigation on section 32 expenditure -7) |
| Mphahlele LE(Member) | Total Number -20 (Ordinary -1; Special - 3; Investigation on section 32 expenditure -16) |
| Appointment of new AC members as per Council Resolution number A437/10/2019 | Meeting: |
| Raphalalani R (Member) | Total Number -2 (Ordinary -2) |
| Mathabathe MG (Member) | Total Number -2 (Ordinary -2) |
| Lekoloane TA (Member) | Total Number -2 (Ordinary -1) |
| •Resigned on 16 March 2020 | |
| Appointment of new AC member to replace Lekoloane TA as per council resolution number A534/6/2020 | Meeting: |
| Nedzingahe ND(Member) | None |

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from the MFMA and Treasury Regulation .

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, which was approved by municipal council, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted by management was of fair, but not of good quality. In some instance as highlighted in the Internal Audit Reports, internal controls are very weak.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the municipality's compliance with legal and regulatory provisions;

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Audit Committee Report

Auditor-General of South Africa

The audit committee invited the Auditor-General of South Africa during the review of the annual financial statements to ensure coherence with regards to the review.

Chairperson of the Audit Committee

Date: _____

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Acting Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The operating results for the year were not satisfactory for the following the outbreak of the corona virus pandemic that led to the announcement of the national state of disaster in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus. Although the municipality ensured that essential services were rendered, the social distancing requirements resulted in disruptions to certain services and the municipality further experienced reduced collection of debtors for services rendered.

The financial position of the municipality is .

Net deficit of the municipality was R 56 914 612 (2019: deficit R 91 440 467).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 992 217 006 and that the municipality's total liabilities exceed its assets by R 1 097 853 619.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

In terms of the Supply Chain Management Policy of the municipality, councillors and officials are prohibited from entering into commercial transactions with the municipality.

Councillors and officials are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Chief Whip for inspection.

Consistent with the Supply Chain Management Policy of the municipality, none of the councillors or officers entered into any commercial transaction with the municipality during the period under review. The Accounting Officer does not have any interest in contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name

Dr. S.M. Mhlanga

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Acting Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

8. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

9. Non-compliance with applicable legislation

10. Submission of Annual Financial Statements to the Auditor General South Africa

The Minister of Finance issued a Ministerial Exemption in terms of section 177(1) (b) of the MFMA on 05 August 2020, exempting municipalities and municipal entities from submitting their annual financial statements and related reports for auditing at the end of August 2020.

The notice allows for a two-month delay in the submission of Annual Financial Statements, Annual Reports, Audit opinions, and oversight reports thus grant a 2-month extension to the deadlines of Section 126(1) and (2), 127(1) and (2), 129(1) and 133(2) of the MFMA 2003 (Act No.56 of 2003)..

The context of this exemption flows from the Minister of Cooperative Governance and Traditional Affairs' announcement of the national state of disaster in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2020 and were signed on its behalf by:

Dr. S.M. Mhlanga
Accounting Officer

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

| Figures in Rand | Note(s) | 2020 | 2019 |
|--|---------|------------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 2 440 344 | 5 423 648 |
| Other receivables from exchange transactions | 4 | 5 056 771 | 40 610 |
| Receivables from non-exchange transactions | 5 | 169 585 389 | 119 828 127 |
| Receivables from exchange transactions | 6 | 439 038 409 | 317 104 866 |
| VAT Receivable | 7 | 101 134 031 | 93 591 353 |
| Deposits | 8 | 588 082 | 561 614 |
| Cash and cash equivalents | 9 | 8 500 941 | - |
| | | 726 343 967 | 536 550 218 |
| Non-Current Assets | | | |
| Investment property | 10 | 27 117 120 | 27 117 120 |
| Property, plant and equipment | 11 | 1 315 463 890 | 1 343 784 833 |
| Intangible assets | 12 | 4 749 334 | 5 900 696 |
| Heritage assets | 13 | 222 134 | 161 314 |
| Other financial assets | 14 | 134 854 | 133 353 |
| | | 1 347 687 332 | 1 377 097 316 |
| Non-Current Assets | | 1 347 687 332 | 1 377 097 316 |
| Current Assets | | 726 343 967 | 536 550 218 |
| Total Assets | | 2 074 031 299 | 1 913 647 534 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | | 19 871 | 19 871 |
| Payables from exchange transactions | 15 | 888 379 586 | 607 227 284 |
| Consumer deposits | 16 | 12 242 830 | 8 914 497 |
| Employee benefit obligation | 17 | 2 397 000 | 2 019 605 |
| Unspent conditional grants and receipts | 18 | 24 925 059 | 76 249 691 |
| Long service awards | 19 | 2 165 591 | 929 448 |
| Bank overdraft | 9 | - | 27 395 812 |
| | | 930 129 937 | 722 756 208 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 17 | 47 048 000 | 50 579 838 |
| Provisions | 20 | 96 977 517 | 77 909 259 |
| Long service awards | 19 | 12 858 000 | 11 401 140 |
| | | 156 883 517 | 139 890 237 |
| Non-Current Liabilities | | 156 883 517 | 139 890 237 |
| Current Liabilities | | 930 129 937 | 722 756 208 |
| Total Liabilities | | 1 087 013 454 | 862 646 445 |
| Assets | | 2 074 031 299 | 1 913 647 534 |
| Liabilities | | (1 087 013 454) | (862 646 445) |
| Net Assets | | 987 017 845 | 1 051 001 089 |
| Accumulated surplus | | 987 017 839 | 1 051 001 089 |

* See Note 44

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 21 | 309 222 588 | 254 607 010 |
| Interest received - trading | | 42 514 578 | 35 908 146 |
| Sundry Income | 22 | 3 805 220 | 3 284 187 |
| Interest received - investment | 23 | 1 141 167 | 2 376 592 |
| Rental of facilities and equipment | 24 | 499 187 | 424 665 |
| Agency services | 25 | 6 063 003 | 6 472 998 |
| Recoveries | | 551 734 | - |
| Actuarial gains | | 6 917 840 | 3 826 424 |
| Inventories reversal | | - | 1 345 428 |
| Total revenue from exchange transactions | | 370 715 317 | 308 245 450 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 26 | 97 507 429 | 73 997 814 |
| Licences and Permits (non-exchange) | 27 | 531 429 | 201 552 |
| Transfer revenue | | | |
| Government grants & subsidies | 28 | 155 343 979 | 219 378 785 |
| Fines, Penalties and Forfeits | 29 | 260 800 | 55 549 |
| Total revenue from non-exchange transactions | | 253 643 637 | 293 633 700 |
| | | 370 715 317 | 308 245 450 |
| | | 253 643 637 | 293 633 700 |
| Total revenue | | 624 358 954 | 601 879 150 |
| Expenditure | | | |
| Employee related costs | 30 | (215 847 321) | (210 438 472) |
| Remuneration of councillors | 31 | (12 956 417) | (12 153 814) |
| Depreciation and amortisation | 32 | (78 204 564) | (64 554 076) |
| Impairments | 33 | (487 015) | (2 774 358) |
| Finance costs | 34 | (59 520 624) | (52 351 893) |
| Lease rentals on operating lease | 35 | (17 458 761) | (23 179 842) |
| Debt Impairment | 36 | (17 333 448) | (44 891 571) |
| Bulk purchases | 37 | (187 001 279) | (166 206 565) |
| Contracted services | 38 | (53 230 015) | (60 442 674) |
| Loss on disposal of assets and liabilities | | (1 324 312) | (4 365 812) |
| Inventories losses/write-downs | | (180 291) | - |
| General Expenses | 39 | (44 986 448) | (53 620 281) |
| Total expenditure | | (688 530 495) | (694 979 358) |
| | | - | - |
| Total revenue | | 624 358 954 | 601 879 150 |
| Total expenditure | | (688 530 495) | (694 979 358) |
| Operating surplus/deficit | | - | - |
| Deficit before taxation | | (64 171 541) | (93 100 208) |
| Taxation | | - | - |
| Deficit for the year | | (64 171 541) | (93 100 208) |

* See Note 44

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------|----------------------|
| Opening balance as previously reported | 1 015 939 833 | 1 015 939 833 |
| Adjustments | | |
| Prior year adjustments | 128 161 464 | 128 161 464 |
| Balance at 01 July 2018 as restated* | 1 144 101 297 | 1 144 101 297 |
| Changes in net assets | | |
| Surplus for the year | (93 100 208) | (93 100 208) |
| Total changes | (93 100 208) | (93 100 208) |
| Balance at July 1, 2018 | 1 051 189 380 | 1 051 189 380 |
| Changes in net assets | | |
| Surplus for the year | (64 171 541) | (64 171 541) |
| Total changes | (64 171 541) | (64 171 541) |
| Balance at 30 June 2020 | 987 017 839 | 987 017 839 |
| Note(s) | | |

* See Note 44

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---------|----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 218 245 997 | 241 888 218 |
| Grants | | 104 019 347 | 214 948 550 |
| Interest income | | 1 141 167 | 2 376 592 |
| Other cash item | | 11 044 378 | 18 385 470 |
| | | <u>334 450 889</u> | <u>477 598 830</u> |
| Payments | | | |
| Employee costs | | (179 388 918) | (187 920 836) |
| Payments to suppliers | | (58 533 055) | (110 853 421) |
| | | <u>(237 921 973)</u> | <u>(298 774 257)</u> |
| Total receipts | | 334 450 889 | 477 598 830 |
| Total payments | | (237 921 973) | (298 774 257) |
| Net cash flows from operating activities | 41 | <u>96 528 916</u> | <u>178 824 573</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (56 813 737) | (78 127 096) |
| Other cash item | | (3 816 925) | (134 978 629) |
| Net cash flows from investing activities | | <u>(60 632 163)</u> | <u>(213 107 594)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 35 896 753 | (34 283 021) |
| Cash and cash equivalents at the beginning of the year | | (27 395 812) | 6 887 209 |
| Cash and cash equivalents at the end of the year | 9 | <u>8 500 941</u> | <u>(27 395 812)</u> |

* See Note 44

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|--------------------|------------------|--------------------|--------------------|---------------------|--------|
| Service charges | 294 108 642 | 674 808 | 294 783 450 | 309 222 588 | 14 439 138 | Note 1 |
| Rental of facilities and equipment | 432 275 | - | 432 275 | 499 187 | 66 912 | Note 2 |
| Interest received (trading) | 47 475 948 | - | 47 475 948 | 42 514 578 | (4 961 370) | Note 3 |
| Agency services | - | - | - | 6 063 003 | 6 063 003 | |
| Recoveries | - | - | - | 551 734 | 551 734 | |
| Sundry income | 19 212 562 | 2 088 693 | 21 301 255 | 3 805 220 | (17 496 035) | Note 4 |
| Interest received - investment | 73 812 | 1 026 134 | 1 099 946 | 1 141 167 | 41 221 | |
| Total revenue from exchange transactions | 361 303 239 | 3 789 635 | 365 092 874 | 363 797 477 | (1 295 397) | |

Revenue from non-exchange transactions

Taxation revenue

| | | | | | | |
|-------------------------------------|-------------|---------|--------------------|------------|---------------------|--------|
| Property rates | 128 575 376 | - | 128 575 376 | 97 507 429 | (31 067 947) | Note 5 |
| Licences and Permits (Non-exchange) | 2 015 385 | 297 992 | 2 313 377 | 531 429 | (1 781 948) | Note 6 |

Transfer revenue

| | | | | | | |
|---|--------------------|----------------|--------------------|--------------------|-------------------|--------|
| Government grants & subsidies | 100 112 000 | - | 100 112 000 | 155 343 979 | 55 231 979 | Note 7 |
| Fines, Penalties and Forfeits | 676 168 | - | 676 168 | 260 800 | (415 368) | Note 8 |
| Total revenue from non-exchange transactions | 231 378 929 | 297 992 | 231 676 921 | 253 643 637 | 21 966 716 | |

| | | | | | | |
|--|-------------|-----------|--------------------|-------------|--------------------|--|
| 'Total revenue from exchange transactions' | 361 303 239 | 3 789 635 | 365 092 874 | 363 797 477 | (1 295 397) | |
|--|-------------|-----------|--------------------|-------------|--------------------|--|

| | | | | | | |
|--|-------------|---------|--------------------|-------------|-------------------|--|
| 'Total revenue from non-exchange transactions' | 231 378 929 | 297 992 | 231 676 921 | 253 643 637 | 21 966 716 | |
|--|-------------|---------|--------------------|-------------|-------------------|--|

| | | | | | | |
|----------------------|--------------------|------------------|--------------------|--------------------|-------------------|--|
| Total revenue | 592 682 168 | 4 087 627 | 596 769 795 | 617 441 114 | 20 671 319 | |
|----------------------|--------------------|------------------|--------------------|--------------------|-------------------|--|

Expenditure

| | | | | | | |
|--|----------------------|-------------------|----------------------|----------------------|---------------------|---------|
| Personnel | (190 009 565) | 16 139 857 | (173 869 708) | (215 847 321) | (41 977 613) | Note 9 |
| Remuneration of councillors | (9 809 876) | (955 903) | (10 765 779) | (12 956 417) | (2 190 638) | Note 10 |
| Depreciation and amortisation | (72 203 144) | 13 129 273 | (59 073 871) | (78 204 564) | (19 130 693) | Note 11 |
| Impairment loss/ Reversal of impairments | - | - | - | (487 015) | (487 015) | |
| Finance costs | (53 432 617) | 3 000 000 | (50 432 617) | (59 520 624) | (9 088 007) | Note 12 |
| Lease rentals on operating lease | - | - | - | (17 458 761) | (17 458 761) | |
| Debt Impairment | (25 374 955) | - | (25 374 955) | (17 333 448) | 8 041 507 | Note 13 |
| Bulk purchases | (164 452 770) | - | (164 452 770) | (187 001 279) | (22 548 509) | Note 14 |
| Contracted Services | (68 096 336) | (1 677 973) | (69 774 309) | (53 230 015) | 16 544 294 | |
| Transfers and Subsidies | (879 931) | 379 931 | (500 000) | - | 500 000 | |
| General Expenses | (36 478 952) | 3 559 947 | (32 919 005) | (44 986 448) | (12 067 443) | Note 15 |
| Repairs and maintenance | (9 425 852) | 2 368 131 | (7 057 721) | - | 7 057 721 | Note 16 |
| Total expenditure | (630 163 998) | 35 943 263 | (594 220 735) | (687 025 892) | (92 805 157) | |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|---------------------|-------------------|----------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| | 592 682 168 | 4 087 627 | 596 769 795 | 617 441 114 | 20 671 319 | |
| | (630 163 998) | 35 943 263 | (594 220 735) | (687 025 892) | (92 805 157) | |
| Operating deficit | (37 481 830) | 40 030 890 | 2 549 060 | (69 584 778) | (72 133 838) | |
| Loss on disposal of assets and liabilities | - | - | - | (1 324 312) | (1 324 312) | |
| Actuarial gains/losses | - | - | - | 6 917 840 | 6 917 840 | |
| Inventories losses/write-downs | - | - | - | (180 291) | (180 291) | |
| | - | - | - | 5 413 237 | 5 413 237 | |
| | (37 481 830) | 40 030 890 | 2 549 060 | (69 584 778) | (72 133 838) | |
| | - | - | - | 5 413 237 | 5 413 237 | |
| Deficit before taxation | (37 481 830) | 40 030 890 | 2 549 060 | (64 171 541) | (66 720 601) | |
| Surplus before taxation | (37 481 830) | 40 030 890 | 2 549 060 | (64 171 541) | (66 720 601) | |
| Taxation | - | - | - | - | - | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (37 481 830) | 40 030 890 | 2 549 060 | (64 171 541) | (66 720 601) | |
| Reconciliation | | | | | | |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | |
|--|--------------------|----------|--------------------|--------------------|--------------------|
| Inventories | 2 944 079 | - | 2 944 079 | 2 440 344 | (503 735) |
| Other financial assets | 372 363 | - | 372 363 | - | (372 363) |
| Other receivables from exchange transactions | 7 987 130 | - | 7 987 130 | 5 056 771 | (2 930 359) |
| Receivables from non-exchange transactions | - | - | - | 169 585 389 | 169 585 389 |
| Consumer debtors | 592 268 044 | - | 592 268 044 | 439 038 409 | (153 229 635) |
| VAT Receivable | - | - | - | 101 134 031 | 101 134 031 |
| Deposits | - | - | - | 588 082 | 588 082 |
| Investments | 900 000 | - | 900 000 | - | (900 000) |
| Cash and cash equivalents | 6 043 720 | - | 6 043 720 | 8 500 941 | 2 457 221 |
| | 610 515 336 | - | 610 515 336 | 726 343 967 | 115 828 631 |

Non-Current Assets

| | | | | | |
|-------------------------------|----------------------|----------|----------------------|----------------------|-------------------|
| Investment property | 17 206 951 | - | 17 206 951 | 27 117 120 | 9 910 169 |
| Property, plant and equipment | 1 235 730 989 | - | 1 235 730 989 | 1 315 463 890 | 79 732 901 |
| Intangible assets | 4 911 036 | - | 4 911 036 | 4 749 334 | (161 702) |
| Heritage assets | - | - | - | 222 134 | 222 134 |
| Other financial assets | 133 353 | - | 133 353 | 134 854 | 1 501 |
| Other asset | 161 313 | - | 161 313 | - | (161 313) |
| | 1 258 143 642 | - | 1 258 143 642 | 1 347 687 332 | 89 543 690 |

| | | | | | |
|---------------------|----------------------|----------|----------------------|----------------------|--------------------|
| Non-Current Assets | 610 515 336 | - | 610 515 336 | 726 343 967 | 115 828 631 |
| Current Assets | 1 258 143 642 | - | 1 258 143 642 | 1 347 687 332 | 89 543 690 |
| Total Assets | 1 868 658 978 | - | 1 868 658 978 | 2 074 031 299 | 205 372 321 |

Liabilities

Current Liabilities

| | | | | | |
|---|--------------------|----------|--------------------|--------------------|--------------------|
| Finance lease obligation | - | - | - | 19 871 | 19 871 |
| Payables from exchange transactions | 431 991 932 | - | 431 991 932 | 888 379 586 | 456 387 654 |
| Consumer deposits | 8 798 124 | - | 8 798 124 | 12 242 830 | 3 444 706 |
| Employee benefit obligation | - | - | - | 2 397 000 | 2 397 000 |
| Unspent conditional grants and receipts | - | - | - | 24 925 059 | 24 925 059 |
| Provisions | 2 027 908 | - | 2 027 908 | - | (2 027 908) |
| Long service awards | - | - | - | 2 165 591 | 2 165 591 |
| Bank overdraft | 148 545 435 | - | 148 545 435 | - | (148 545 435) |
| | 591 363 399 | - | 591 363 399 | 930 129 937 | 338 766 538 |

Non-Current Liabilities

| | | | | | |
|-----------------------------|--------------------|----------|--------------------|--------------------|-------------------|
| Employee benefit obligation | - | - | - | 47 048 000 | 47 048 000 |
| Provisions | 115 870 182 | - | 115 870 182 | 96 977 517 | (18 892 665) |
| Long service awards | - | - | - | 12 858 000 | 12 858 000 |
| | 115 870 182 | - | 115 870 182 | 156 883 517 | 41 013 335 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|-------------|----------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| | 591 363 399 | - | 591 363 399 | 930 129 937 | 338 766 538 | |
| | 115 870 182 | - | 115 870 182 | 156 883 517 | 41 013 335 | |
| | - | - | - | - | - | |
| Total Liabilities | 707 233 581 | - | 707 233 581 | 1 087 013 454 | 379 779 873 | |
| Assets | 1 868 658 978 | - | 1 868 658 978 | 2 074 031 299 | 205 372 321 | |
| Liabilities | (707 233 581) | - | (707 233 581) | (1 087 013 454) | (379 779 873) | |
| Net Assets | 1 161 425 397 | - | 1 161 425 397 | 987 017 845 | (174 407 552) | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Housing development fund | 483 263 | - | 483 263 | 483 263 | - | |
| Accumulated surplus | 1 160 942 134 | - | 1 160 942 134 | 986 534 582 | (174 407 552) | |
| Total Net Assets | 1 161 425 397 | - | 1 161 425 397 | 987 017 845 | (174 407 552) | |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|--------------|--|---|-----------|
|--|--------------------|-------------|--------------|--|---|-----------|

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

| | | | | | |
|----------------------------|--------------------|---|--------------------|---|----------------------|
| Taxation | 119 496 755 | - | 119 496 755 | - | (119 496 755) |
| Sale of goods and services | 261 127 231 | - | 261 127 231 | - | (261 127 231) |
| Grants | 100 112 000 | - | 100 112 000 | - | (100 112 000) |
| Interest income | 57 549 760 | - | 57 549 760 | - | (57 549 760) |
| Other receipts | 32 336 392 | - | 32 336 392 | - | (32 336 392) |
| | 570 622 138 | - | 570 622 138 | - | (570 622 138) |

Payments

| | | | | | |
|----------------------|----------------------|---|----------------------|---|--------------------|
| Employee costs | (525 189 280) | - | (525 189 280) | - | 525 189 280 |
| Finance costs | (10 000 000) | - | (10 000 000) | - | 10 000 000 |
| Transfers and Grants | (879 931) | - | (879 931) | - | 879 931 |
| | (536 069 211) | - | (536 069 211) | - | 536 069 211 |

| | | | | | |
|---|-------------------|---|-------------------|---|---------------------|
| Total receipts | 570 622 138 | - | 570 622 138 | - | (570 622 138) |
| Total payments | (536 069 211) | - | (536 069 211) | - | 536 069 211 |
| Net cash flows from operating activities | 34 552 927 | - | 34 552 927 | - | (34 552 927) |

Cash flows from investing activities

| | | | | | |
|---|---------------------|---|---------------------|---|-------------------|
| Purchase of property, plant and equipment | (62 633 000) | - | (62 633 000) | - | 62 633 000 |
| Net increase/(decrease) in cash and cash equivalents | (28 080 073) | - | (28 080 073) | - | 28 080 073 |
| Cash and cash equivalents at the end of the year | (28 080 073) | - | (28 080 073) | - | 28 080 073 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|--------------------|-------------|--------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Note 1: Revenue realised from service charges went above the budget due to the implementation of the revenue enhancement strategy. | | | | | | - |
| Note 2: Rental revenue went above the budgeted amount due to more people renting out municipal facilities. | | | | | | - |
| Note 3: Interest received from trading went below the budget due to the stringent implementation of credit control and debt management policy. | | | | | | - |
| Note 4: As at 30 June 2020 the anticipated land sales that had been budgeted for did not materialise due to the covid pandemic this resulted in a significant drop in the anticipated sundry income that the municipal anticipated. | | | | | | - |
| Interest realised from investment went above the projected budget due to a higher positive cash balance in the investment accounts. | | | | | | - |
| Note 5: There was a significant decline decline on property rates due to the late implementation of the valuation as it only became effective 1st of October 2019. | | | | | | - |
| Note 6: Licenses and permits went below the anticipated budget due to the national lockdown that was imposed resulting in the delay of renewals and issue of new licences and permits. | | | | | | - |
| Note 7: There was significant increase in the grants in current year this was due to the WSIG grant that was not included in the initial budget. | | | | | | - |
| Note 8: Fines and penalties went below the anticipated budget due to the national lockdown that was imposed resulting in only essential services people working this resulted in a decline in the number of people breaking laws and regulations. | | | | | | - |
| Note 9: Expenditure relating to employees cost went above the budgeted figure due to existing HR policy on overtime and stand by allowances which management is currently reviewing. | | | | | | - |
| Note 10: Councillors remuneration went above the budgeted figure due to reimbursive travel allowances on training of councillors, cellphone allowances that were backdated as councillors were being underpaid. | | | | | | - |
| Note 11. There was a significant increase in depreciation due to new infrastructure additions and impairment of old infrastructure. | | | | | | - |
| Note 12: Finance cost went above the budget due to long outstanding debt of Eskom and SARS. | | | | | | - |
| Note 13: Bad debt went below the anticipated budget due to the implementation of revenue enhancement in the current year. | | | | | | - |
| Note 14: Bulk expenditure went above the anticipated budget due to high demand for both water and electricity. | | | | | | - |
| Contracted services went below the budgeted figure due to cost containment measures. | | | | | | - |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-----------------|--------------------|-------------|--------------|--|---|-----------|
| Figures in Rand | | | | | | |

Note 15: General expenses went up in the current year due to the aging of old infrastructure which required regular maintenance and also covid related costs that the municipality did not anticipate.

Note 16: Repairs and maintenance went up in the current year due to the aging of old infrastructure which required regular maintenance.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition of the asset assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Additional disclosure of these estimates of provisions are included in the note on Provisions included on the annual financial statements.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post medical subsidy obligations are based on current market conditions.

Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate to discount any future cash flows.

Allowance for impairment of financial assets

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Buildings | Straight line | 5 - 80 years |
| Other property, plant and equipment | Straight line | 2 - 15 years |
| Furniture and fixtures | Straight line | 7 - 10 years |
| Motor vehicles | Straight line | 5 - 20 years |
| Office equipment | Straight line | 3 - 10 years |
| Housing Straight line | Straight line | 8 - 80 years |
| Community Facility | Straight line | 7 - 100 years |
| Sport and Recreational | Straight line | 7 - 100 years |
| Bins and Contain | Straight line | 3 - 10 years |
| Emergency Equipment | Straight line | 4 - 100 years |
| Electricity Network | Straight line | 4 - 100 years |
| Road and Storm Water Network | Straight line | 4 - 100 years |
| Wastewater Network | Straight line | 4 - 100 years |

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measure at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 3 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 15 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.).

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return
- Non-cash-generating assets are assets other than cash-generating assets..

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return.
- Non-cash-generating assets are assets other than cash-generating assets..

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Other receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Deposits | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

These post-retirement health care benefits are actuarially valued at least annually on the Projected Unit Credit Method basis.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Value-added Tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Accumulated Surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality.

Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Leases (continued)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note

1.22 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.27 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.30 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|------------------------------------|
| <ul style="list-style-type: none">IGRAP 20: Accounting for Adjustments to Revenue | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 34: Separate Financial Statements | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 35: Consolidated Financial Statements | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 36: Investments in Associates and Joint Ventures | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 37: Joint Arrangements | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 38: Disclosure of Interests in Other Entities | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">GRAP 110 (as amended 2016): Living and Non-living Resources | 01 April 2020 | The impact of the is not material. |
| <ul style="list-style-type: none">IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue | 01 April 2020 | The impact of the is not material. |

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| <ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments | 01 April 2009 | Unlikely there will be a material impact |
| <ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites | 01 April 2009 | Unlikely there will be a material impact |
| <ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2009 | Unlikely there will be a material impact |

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

3. Inventories

| | | |
|-------------------|------------------|------------------|
| Consumable stores | 2 251 251 | 5 196 682 |
| Water | 189 093 | 226 966 |
| | 2 440 344 | 5 423 648 |

Inventories recognised as an expense during the year (5 196 682) (1 345 428)

The are two stores within the municipality, one in Modimolle and the other in Mookgophong. The stores consist mainly of maintenance items for Water, Sanitation and Electricity Departments as well as stationery and protective clothing for the municipality.

Inventory pledged as security

During the year no inventory was pledged as security

4. Other receivables from exchange transactions

| | | |
|-------------------|------------------|---------------|
| Other receivables | 156 302 | 40 610 |
| Agency fees | 4 900 469 | - |
| | 5 056 771 | 40 610 |

5. Receivables from non-exchange transactions

| | | |
|--------------------------|--------------------|--------------------|
| Fines | 260 550 | - |
| Consumer debtors - Rates | 184 433 362 | 131 033 336 |
| Less: Impairment | (15 108 523) | (11 205 209) |
| | 169 585 389 | 119 828 127 |

Receivables from non-exchange transactions pledged as security

Property Rates

| | | |
|---------------------|--------------------|--------------------|
| Current (0-30 days) | - | 5 863 811 |
| 31 - 60 days | 9 965 954 | 3 555 224 |
| 61 - 90 days | 7 839 834 | 3 327 139 |
| 91 - 120 days | 7 319 753 | 3 145 948 |
| 121 - 365 days | 45 248 236 | 20 627 258 |
| > 365 days | 114 460 807 | 94 513 956 |
| Impairment | (15 108 523) | (11 205 209) |
| | 169 726 061 | 119 828 127 |

During the year no non-exchange receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 24 308 230 (2019: R 10 028 311) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | 2020 | 2019 |
|-------------------|-------------------|-------------------|
| 1 month past due | 9 589 223 | 3 555 224 |
| 2 months past due | 7 399 254 | 3 327 139 |
| 3 months past due | 7 319 753 | 3 145 948 |
| | 24 308 230 | 10 028 311 |

Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 157 576 974 (2019: R 115 150 698) were impaired and provided for.

The amount of the provision was R 15 108 523 as of 30 June 2020 (2019: R 11 240 275).

The ageing of these non-exchange debtors is as follows:

| | | |
|---------------|-------------|-------------|
| 3 to 6 months | 12 983 479 | 5 495 902 |
| Over 6 months | 144 593 495 | 109 654 795 |

Reconciliation of provision for impairment of receivables from non-exchange transactions

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 11 205 210 | 9 451 396 |
| Provision for impairment | 3 903 314 | 1 753 814 |
| | 15 108 524 | 11 205 210 |

6. Receivables from exchange transactions

Gross balances

| | | |
|-------------------------|--------------------|--------------------|
| Electricity | 101 656 638 | 77 590 332 |
| Water | 224 689 710 | 155 865 799 |
| Waste water | 79 000 000 | 53 215 552 |
| Refuse | 62 271 737 | 46 408 332 |
| Business service levies | 5 282 552 | 5 082 747 |
| Housing rental | 7 599 574 | 7 253 455 |
| | 480 500 211 | 345 416 217 |

Less: Allowance for impairment

| | | |
|-------------------------|---------------------|---------------------|
| Electricity | (8 651 922) | (5 847 240) |
| Water | (19 361 775) | (12 682 940) |
| Waste water | (6 776 746) | (4 627 362) |
| Refuse | (5 453 237) | (3 911 889) |
| Business service levies | (487 180) | (534 940) |
| Housing rental | (730 942) | (706 980) |
| | (41 461 802) | (28 311 351) |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|--------------------|--------------------|
| 6. Receivables from exchange transactions (continued) | | |
| Net balance | | |
| Electricity | 93 004 716 | 71 743 092 |
| Water | 205 327 935 | 143 182 859 |
| Waste water | 72 223 254 | 48 588 190 |
| Refuse | 56 818 500 | 42 496 443 |
| Business service levies | 4 795 372 | 4 547 807 |
| Housing rental | 6 868 632 | 6 546 475 |
| | 439 038 409 | 317 104 866 |
| Electricity | | |
| Current (0 -30 days) | 6 589 012 | 8 072 625 |
| 31 - 60 days | 4 240 575 | 3 154 425 |
| 61 - 90 days | 3 892 546 | 2 972 890 |
| 91 - 120 days | - | 2 431 063 |
| 121 - 365 days | 29 101 954 | 16 636 643 |
| > 365 days | 57 922 025 | 44 322 686 |
| Impairment | (8 741 396) | (5 847 240) |
| | 93 004 716 | 71 743 092 |
| Water | | |
| Current (0 -30 days) | - | 6 736 059 |
| 31 - 60 days | 8 902 003 | 6 212 846 |
| 61 - 90 days | 6 752 812 | 5 247 568 |
| 91 - 120 days | 6 510 859 | 4 666 019 |
| 121 - 365 days | 48 702 457 | 39 630 712 |
| > 365 days | 153 775 139 | 93 372 595 |
| | (19 315 335) | (12 682 940) |
| | 205 327 935 | 143 182 859 |
| Waste water | | |
| Current (0 -30 days) | - | 1 707 573 |
| 31 - 60 days | 2 967 057 | 1 378 629 |
| 61 - 90 days | 2 551 013 | 1 279 208 |
| 91 - 120 days | 2 433 802 | 1 310 843 |
| 121 - 365 days | 17 928 609 | 9 032 617 |
| > 365 days | 53 104 852 | 38 506 682 |
| | (6 762 079) | (4 627 362) |
| | 72 223 254 | 48 588 190 |
| Refuse | | |
| Current (0 -30 days) | - | 1 839 924 |
| 31 - 60 days | 2 088 550 | 1 401 330 |
| 61 - 90 days | 1 712 357 | 1 356 846 |
| 91 - 120 days | 1 593 645 | 1 384 482 |
| 121 - 365 days | 11 272 753 | 9 198 690 |
| > 365 days | 45 587 859 | 31 227 060 |
| | (5 436 664) | (3 911 889) |
| | 56 818 500 | 42 496 443 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

6. Receivables from exchange transactions (continued)

Business service levies(Sundry)

| | | |
|----------------------|------------------|------------------|
| Current (0 -30 days) | - | 174 522 |
| 31 - 60 days | 65 232 | 74 977 |
| 61 - 90 days | 21 123 | 3 001 |
| 91 - 120 days | 16 156 | 680 |
| 121 - 365 days | 201 776 | 115 257 |
| > 365 days | 4 975 298 | 4 714 310 |
| | (484 213) | (534 940) |
| | 4 795 372 | 4 547 807 |

Housing rental

| | | |
|----------------------|------------------|------------------|
| Current (0 -30 days) | - | 52 397 |
| 31 - 60 days | 51 983 | 29 970 |
| 61 - 90 days | 31 756 | 30 564 |
| 91 - 120 days | 30 951 | 32 067 |
| 121 - 365 days | 266 655 | 230 396 |
| > 365 days | 7 213 845 | 6 878 061 |
| | (726 558) | (706 980) |
| | 6 868 632 | 6 546 475 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|---------------------|---------------------|
| 6. Receivables from exchange transactions (continued) | | |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 1 376 677 | 10 856 153 |
| 31 - 60 days | 12 527 707 | 8 458 201 |
| 61 - 90 days | 10 003 943 | 7 473 588 |
| 91 - 120 days | 8 895 325 | 6 909 737 |
| 121 - 365 days | 72 297 495 | 52 250 731 |
| > 365 days | 244 678 224 | 164 416 997 |
| | 349 779 371 | 250 365 407 |
| Less: Allowance for impairment | - | (25 907 485) |
| | 349 779 371 | 224 457 922 |
| Industrial/commercial | | |
| Current (0 -30 days) | 4 571 802 | 5 153 570 |
| 31 - 60 days | 4 142 021 | 1 634 038 |
| 61 - 90 days | 3 318 756 | 1 625 947 |
| 91 - 120 days | 549 198 | 1 366 071 |
| 121 - 365 days | 25 279 722 | 8 722 191 |
| > 365 days | 26 208 254 | 19 324 778 |
| | 64 069 753 | 37 826 595 |
| Less: Allowance for impairment | - | (1 523 878) |
| | 64 069 753 | 36 302 717 |
| National and provincial government | | |
| Current (0 -30 days) | 640 533 | 2 496 599 |
| 31 - 60 days | 1 680 323 | 2 171 017 |
| 61 - 90 days | 1 633 415 | 1 866 735 |
| 91 - 120 days | 1 115 714 | 1 576 573 |
| 121 - 365 days | 10 038 282 | 13 898 249 |
| > 365 days | 51 361 618 | 35 215 045 |
| | 66 469 885 | 57 224 218 |
| Less: Allowance for impairment | - | (879 988) |
| | 66 469 885 | 56 344 230 |
| Total | | |
| Current (0 -30 days) | 6 770 212 | 18 506 323 |
| 31 - 60 days | 18 350 052 | 12 263 256 |
| 61 - 90 days | 14 956 114 | 10 966 269 |
| 91 - 120 days | 10 560 237 | 9 852 381 |
| 121 - 365 days | 107 615 500 | 74 871 170 |
| > 365 days | 322 248 096 | 218 956 819 |
| | 480 500 211 | 345 416 218 |
| Less: Allowance for impairment | (41 461 802) | (28 311 352) |
| | 439 038 409 | 317 104 866 |
| Less: Allowance for impairment | | |
| 91 - 120 days | (1 041 222) | 639 066 |
| 121 - 365 days | (715 505) | (7 048 278) |
| > 365 days | (39 705 075) | (21 902 139) |
| | (41 461 802) | (28 311 351) |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

| | | |
|----------------------------------|---------------------|---------------------|
| Balance at beginning of the year | (28 311 351) | (21 902 139) |
| Contributions to allowance | (13 150 451) | (6 409 212) |
| | (41 461 802) | (28 311 351) |

Consumer debtors pledged as security

None of the receivables from exchange transactions were pledged for security.

Consumer debtors(Non-exchange & Exchange receivables) past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 68 987 963 (2019: R 42 995 718) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|------------|------------|
| 1 month past due | 28 281 355 | 15 807 401 |
| 2 months past due | 22 801 441 | 14 217 215 |
| 3 months past due | 17 905 166 | 12 971 102 |

Consumer debtors(Non-exchange & Exchange receivables) impaired

As of 30 June 2020, consumer debtors of R 589 762 266 (2019: R 409 006 923) were impaired and provided for.

The amount of the provision was R 56 570 325 as of 30 June 2020 (2019: R 39 516 561).

The ageing of these loans is as follows:

| | | |
|---------------|-------------|-------------|
| 3 to 6 months | 48 118 023 | 27 682 631 |
| Over 6 months | 541 644 243 | 381 324 292 |

7. VAT Receivable

The municipality is registered for VAT.

VAT is payable/receivable on the receipts and payment basis. Only once payment is received from debtors, VAT is paid over to SARS. The amount presented in this note includes VAT accounted for on an accrual basis basis thus not recoverable from SARs.

The VAT receivable on cash basis basis is R 10 681 714 (2019: R 1 254 475).

| | | |
|-----------------|------------|------------|
| | 2020 | 2019 |
| Value Added Tax | 97 525 953 | 89 200 778 |

8. Deposits

| | | |
|---------------|---------|---------|
| Eskom deposit | 588 082 | 561 614 |
|---------------|---------|---------|

The deposit is held by Eskom for bulk services rendered to the municipality.

The above deposit is unsecured.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

9. Cash and cash equivalents (continued)

| | | |
|---------------------|------------------|---------------------|
| Bank balances | (8 819 619) | (50 118 572) |
| Short-term deposits | 17 320 560 | 22 722 760 |
| | 8 500 941 | (27 395 812) |

Cash and cash equivalents pledged as collateral

| | | |
|---|---------|---------|
| Total financial assets pledged as collateral for deposit | 900 000 | 900 000 |
| Fixed deposit amounting to R900 000 has been pledged to Magalies Water for a deposit. The Investment is renewable annually. Fixed deposit is held with First National Bank, account number 710 5722 0470. | | |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|-------------------|------------------|--------------------|------------------|----------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2020 | 30 June 2019 | 30 June 2018 |
| Standard Bank- Primary Account - 330 506 137 | 7 996 545 | 2 853 937 | 5 172 530 | - | - | - |
| ABSA - Fixed Deposit Account - 405 963 6391 | 55 466 | 53 254 | 50 779 | - | - | - |
| ABSA - Call Account - 92 5502 6252 | 65 275 | 61 481 | 57 786 | - | - | - |
| ABSA - Call Account - 92 8651 1602 | 24 065 | 23 326 | 22 514 | - | - | - |
| Standard Bank- 32 Days Account - 0388 3585 1007 | 13 465 082 | 17 423 529 | - | - | - | - |
| Standard Bank- 32 Days Account - 0388 3585 1009 | 358 585 | - | - | - | - | - |
| First National Bank - Call Account - 620 3596 2720 | 697 716 | 630 740 | 573 643 | 837 111 | 966 676 | - |
| First National Bank - Call Account - 621 0442 5295 | 32 443 | 31 922 | 31 247 | - | - | - |
| First National Bank - Call Account - 627 4815 7056 | 2 544 065 | 2 403 011 | 49 527 | - | - | - |
| First National Bank - Fixed Deposit Account - 710 5722 0470 | 900 000 | 900 000 | 900 000 | 900 000 | 900 000 | 900 000 |
| Nedbank - Call Account - 788 1103 124/13 | 6 366 591 | 6 034 157 | 29 183 | - | - | - |
| Total | 32 505 833 | 30 415 357 | 6 887 209 | 1 737 111 | 1 866 676 | 900 000 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

| | 2020 | | | 2019 | | |
|---------------------|---------------------|--|----------------|---------------------|--|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 27 117 120 | - | 27 117 120 | 27 117 120 | - | 27 117 120 |

Reconciliation of investment property - 2020

| | Opening balance | Total |
|---------------------|--------------------|------------|
| Investment property | 27 117 120 | 27 117 120 |

Reconciliation of investment property - 2019

| | Opening balance | Correction of error | Total |
|---------------------|--------------------|------------------------|------------|
| Investment property | 17 206 951 | 9 910 169 | 27 117 120 |

Pledged as security

None of the above investment properties have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

| | 2020 | | | 2019 | | |
|-------------------------------------|----------------------|--|----------------------|----------------------|--|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 466 252 085 | - | 466 252 085 | 466 252 084 | - | 466 252 084 |
| Infrastructure | 1 166 747 440 | (528 541 215) | 638 206 225 | 1 127 925 409 | (486 205 604) | 641 719 805 |
| Community | 90 492 082 | (49 396 486) | 41 095 596 | 90 802 763 | (48 676 053) | 42 126 710 |
| Other property, plant and equipment | 69 539 282 | (46 517 010) | 23 022 272 | 72 394 633 | (48 047 264) | 24 347 369 |
| Libraries | - | - | - | 1 345 317 | (1 239 460) | 105 857 |
| Finance lease assets | 9 036 700 | (8 459 691) | 577 009 | 10 436 651 | (9 276 269) | 1 160 382 |
| Solid waste disposal | 96 853 847 | (46 378 847) | 50 475 000 | 79 499 196 | (34 858 220) | 44 640 976 |
| Work-in-progress | 95 835 703 | - | 95 835 703 | 123 431 650 | - | 123 431 650 |
| Total | 1 994 757 139 | (679 293 249) | 1 315 463 890 | 1 972 087 703 | (628 302 870) | 1 343 784 833 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment (loss)/reversal | Total |
|-------------------------------------|----------------------|-------------------|------------------|--------------|---------------------|-------------------------------|----------------------|
| Land | 466 252 085 | - | - | - | - | - | 466 252 085 |
| Infrastructure | 641 719 805 | 1 019 658 | (801 033) | 56 313 572 | (59 611 233) | (434 544) | 638 206 225 |
| Other property, plant and equipment | 24 347 369 | 346 555 | 67 088 | - | (1 911 214) | 172 474 | 23 022 272 |
| Community | 42 126 710 | - | 27 969 | 105 857 | (3 227 027) | 2 062 087 | 41 095 596 |
| Work-in-progress | 123 431 650 | 37 995 338 | - | (56 313 572) | - | (9 277 713) | 95 835 703 |
| Solid waste disposal | 44 640 976 | 17 452 185 | (7 994) | - | (11 610 167) | - | 50 475 000 |
| Finance lease assets | 1 160 382 | - | (238 344) | - | (282 674) | (62 355) | 577 009 |
| Libraries | 105 857 | - | - | (105 857) | - | - | - |
| | 1 343 784 834 | 56 813 736 | (952 314) | - | (76 642 315) | (7 540 051) | 1 315 463 890 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Additions through transfer of functions / mergers | Disposals | Transfers | Correction of error | Depreciation | Impairment loss/reversal | Total |
|-------------------------------------|----------------------|-------------------|---|--------------------|---------------------|------------------------|---------------------|-----------------------------|----------------------|
| Land | 476 204 553 | - | - | (66 041) | (42 300) | (9 844 128) | - | - | 466 252 084 |
| Infrastructure | 689 007 611 | 14 752 606 | - | (1 804 554) | - | (804 039) | (54 344 600) | (5 087 219) | 641 719 805 |
| Other property, plant and equipment | 25 346 220 | 691 492 | - | (231 757) | - | 395 193 | (2 537 234) | 683 455 | 24 347 369 |
| Community | 49 308 495 | - | - | (11 623) | - | (2 059 552) | (4 131 175) | (979 435) | 42 126 710 |
| Work-in-progress | 85 510 208 | 48 044 489 | - | - | (11 783 615) | 1 660 568 | - | - | 123 431 650 |
| Solid waste disposal | 32 874 033 | 14 638 510 | (70 748) | (14 235) | - | 25 465 | (2 831 290) | 19 241 | 44 640 976 |
| Finance lease assets | 1 819 335 | - | - | (220 051) | - | 220 051 | (658 953) | - | 1 160 382 |
| Libraries | 154 530 | - | - | - | - | - | (48 673) | - | 105 857 |
| | 1 360 224 985 | 78 127 097 | (70 748) | (2 348 261) | (11 825 915) | (10 406 442) | (64 551 925) | (5 363 958) | 1 343 784 833 |

Assets subject to finance lease (Net carrying amount)

| | | |
|----------------------|---------|-----------|
| Finance lease assets | 577 009 | 1 160 382 |
|----------------------|---------|-----------|

Reconciliation of Work-in-Progress 2020

| | Included within Infrastructure | Included within Solid Waste | Included within Community | Total |
|--------------------------------|--------------------------------------|-----------------------------------|---------------------------------|-------------------|
| Opening balance | 108 514 600 | 8 829 259 | 6 087 792 | 123 431 651 |
| Additions/capital expenditure | 24 909 918 | 12 294 114 | 791 307 | 37 995 339 |
| Transferred to completed items | (63 211 227) | - | - | (63 211 227) |
| | 70 213 291 | 21 123 373 | 6 879 099 | 98 215 763 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------------|---------------------------------|---------------------------------|--------------------|
| Opening balance | 77 676 669 | 2 103 858 | 5 729 682 | 85 510 209 |
| Additions/capital expenditure | 42 621 545 | 6 725 401 | - | 49 346 946 |
| Transferred to completed items | (11 783 615) | - | - | (11 783 615) |
| | 108 514 599 | 8 829 259 | 5 729 682 | 123 073 540 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|-------------------------------------|------------------|-------------------|
| Infrastructure | 2 457 791 | 8 158 756 |
| Buildings | 487 412 | 325 553 |
| Other property, plant and equipment | 4 388 301 | 1 853 667 |
| | 7 333 504 | 10 337 976 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

| | 2020 | | | 2019 | | |
|--------------------------|---------------------|--|------------------|---------------------|--|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 5 211 754 | (3 104 534) | 2 107 220 | 5 211 754 | (1 953 172) | 3 258 582 |
| Other intangible assets | 2 642 114 | - | 2 642 114 | 2 642 114 | - | 2 642 114 |
| Total | 7 853 868 | (3 104 534) | 4 749 334 | 7 853 868 | (1 953 172) | 5 900 696 |

Reconciliation of intangible assets - 2020

| | Opening balance | Disposals | Amortisation | Impairment loss | Impairment reversal | Total |
|--------------------------|--------------------|-----------------|--------------------|--------------------|------------------------|------------------|
| Computer software, other | 3 258 582 | (60 821) | (1 074 840) | (76 522) | 60 821 | 2 107 220 |
| Servitudes | 2 642 114 | - | - | - | - | 2 642 114 |
| | 5 900 696 | (60 821) | (1 074 840) | (76 522) | 60 821 | 4 749 334 |

Reconciliation of intangible assets - 2019

| | Opening balance | Total |
|--------------------------|--------------------|------------------|
| Computer software, other | 3 258 582 | 3 258 582 |
| Servitudes | 2 642 114 | 2 642 114 |
| | 5 900 696 | 5 900 696 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

13. Heritage assets

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

| 2020 | | | 2019 | | |
|---------------------|-----------|----------------|---------------------|-----------|----------------|
| Cost / Valuation | Additions | Carrying value | Cost / Valuation | Additions | Carrying value |
| 161 313 | 60 821 | 222 134 | 161 314 | - | 161 314 |

Reconciliation of heritage assets 2020

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

| Opening balance | Additions through transfer of functions / mergers | Total |
|--------------------|---|---------|
| 161 314 | 60 820 | 222 134 |

Reconciliation of heritage assets 2019

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits

| Opening balance | Total |
|--------------------|---------|
| 161 314 | 161 314 |

Pledged as security

None of the above heritage assets have been pledged as security:

Expenditure incurred to repair and maintain heritage assets

No expenditure has been incurred to repair and maintain heritage assets.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

14. Other financial assets

Designated at fair value

| | | |
|------------|----------------|----------------|
| NTK Shares | 134 854 | 133 353 |
| | <u>134 854</u> | <u>133 353</u> |
| | - | - |
| | - | - |

Non-current assets

| | | |
|--------------------|----------------|----------------|
| NTK Shares | 134 854 | 133 353 |
| Non-current assets | <u>134 854</u> | <u>133 353</u> |
| Current assets | - | - |

Financial assets at fair value

The shares held in NTK are for the purposes of holding an account with the entity. NTK shares earn dividends that are payable to the Municipality every 15 years. The shares are unsecured.

NTK shares - 30 June 2020

| | Class 1 Normal shares | Class 2 Preferential shares | Class 3 Preferential shares | Security investments | Total |
|------------------------|--------------------------|-----------------------------------|-----------------------------------|-------------------------|----------------|
| Opening balance | 5 000 | 32 450 | 77 919 | 17 984 | 133 353 |
| Fair value adjustments | - | 70 | - | 1 431 | 1 501 |
| | <u>5 000</u> | <u>32 520</u> | <u>77 919</u> | <u>19 415</u> | <u>134 854</u> |

NTK shares - 30 June 2019

| | Class 1 Normal shares | Class 2 Preferential shares | Class 3 Preferential shares | Security investments | Total |
|------------------------|--------------------------|-----------------------------------|-----------------------------------|-------------------------|----------------|
| Opening balance | 5 000 | 32 384 | 77 919 | 16 181 | 131 484 |
| Fair value adjustments | - | 66 | - | 1 803 | 1 869 |
| | <u>5 000</u> | <u>32 450</u> | <u>77 919</u> | <u>17 984</u> | <u>133 353</u> |

15. Payables from exchange transactions

| | | |
|------------------------------|--------------------|--------------------|
| Trade payables | 667 425 660 | 486 056 169 |
| Payments received in advance | 15 069 254 | 11 924 468 |
| Salary control | 41 212 333 | (1 536 720) |
| Unused pre-paid electricity | 12 209 907 | - |
| Accrued leave pay | 33 076 086 | 29 558 613 |
| Accrued 13th Cheque | 9 533 035 | 5 112 837 |
| Retentions | 4 341 579 | 6 151 285 |
| Unallocated deposits | 105 511 732 | 68 798 098 |
| Agency fees payable | - | 1 162 534 |
| | <u>888 379 586</u> | <u>607 227 284</u> |

16. Consumer deposits

| | | |
|-----------------------------|-------------------|------------------|
| Electricity and water | 8 272 761 | 8 189 942 |
| Deposits on closed accounts | 3 970 069 | 724 555 |
| | <u>12 242 830</u> | <u>8 914 497</u> |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 70% of the contribution payable should they be a member of a medical scheme at retirement. This includes all employees employed by the former Modimolle Local Municipality and in-service members employed on or before 1 December 2005 by the former Mookgophong Local Municipality.

Continuation members and their eligible dependants receive a subsidy of 70%.

Upon a member's death-in-service, surviving dependants are allowed to commence receipt of the same post-employment subsidy. Upon a member's death-in-retirement, surviving dependants are allowed to continue to receive the same subsidy.

All post-employment subsidies are subject to a maximum of R 4,773.12 per member per month, for the year ending 30 June 2021. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

Eligible in-service members

| | | |
|--|-----|-----|
| Number of in-service members | 275 | 288 |
| Number of in-service non-members | 265 | 264 |
| Average age | 45 | 44 |
| Average past service | 12 | 11 |
| Average number of total dependants (members) | 1 | 2 |
| Proportion with a spouse dependant (Percentage of members) | 43 | - |

Continuing members

| | | |
|---------------------------------------|--------------|--------------|
| Number of principal members | 48 | 44 |
| Average age of members | 72 | 73 |
| Average number of dependants | - | 1 |
| Proportion with a spouse dependant(%) | 54 | - |
| Average 2020 subsidy per month(Rands) | 4 033 | 3 698 |
| | 4 848 | 4 425 |

The liability in respect of past service has been estimated to be as follows:

| | | |
|--|-------------------|-------------------|
| In-service (employee) members | 20 410 000 | 23 991 141 |
| In-service (employee) non-members | 5 034 000 | 6 098 090 |
| Continuation (retiree and widow) members | 24 001 000 | 22 510 212 |
| | 49 445 000 | 52 599 443 |

Carrying value

| | |
|--------------|--------------|
| (49 455 000) | (52 599 443) |
|--------------|--------------|

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | 49 445 000 | 52 599 443 |
| Non-current liabilities | (47 048 000) | (50 579 838) |
| Current liabilities | (2 397 000) | (2 019 605) |
| | (49 445 000) | (52 599 443) |

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|-------------------|-------------------|
| Opening balance | 52 590 443 | 42 785 212 |
| Past service cost recognised | - | 9 668 046 |
| Expected employer benefit payments | (2 019 605) | (1 759 875) |
| Net expense recognised in the statement of financial performance | (1 134 838) | 1 897 060 |
| | 49 436 000 | 52 590 443 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|--------------------|------------------|
| Current service cost | 2 399 138 | 1 722 950 |
| Interest cost | 4 841 231 | 4 000 534 |
| Actuarial (gains) losses | (8 375 207) | (3 826 424) |
| | (1 134 838) | 1 897 060 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations (continued)

Key assumptions used

Financial Assumptions:

| | | |
|---|---------|--------|
| Discount rates | 10,00 % | 9,38 % |
| Health care cost inflation rate | 6,00 % | 6,85 % |
| Net-of-health-care-cost-inflation discount rate | 3,00 % | 2,37 % |
| Maximum subsidy inflation rate | 4,40 % | 4,76 % |
| Net-of-maximum-subsidy-inflation discount rate | 5,64 % | - % |

The next contribution rate increase is assumed to occur at 1 January 2021.

Demographic Assumptions:

| | |
|--|--|
| Average retirement age | 62 |
| Continuation of membership at retirement | 75% |
| Proportion with a spouse dependant at retirement | 60% |
| Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter | 15% |
| Mortality during employment | SA 85-90 |
| Mortality post-employment | PA(90) -1 with a 1% mortality improvement p.a. from 2010 |

Withdrawal from service (sample annual rates):

| Age | Females | Males |
|-----|---------|-------|
| 20 | 9% | 9% |
| 25 | 8% | 8% |
| 30 | 6% | 6% |
| 35 | 5% | 5% |
| 40 | 5% | 5% |
| 45 | 4% | 4% |
| 50 | 3% | 3% |
| 55+ | 0% | 0% |

Other assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in the actuarial report. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue

One
percentage
point
decrease

Amounts for the current and previous four years are as follows:

| | 2020 R | 2019 R |
|----------------------------|-----------|-----------|
| Defined benefit obligation | - | 5 299 443 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|-------------------|-------------------|
| Municipal Infrastructure Grant | 11 372 652 | 17 962 523 |
| Municipal Demarcation Grant | - | 1 938 847 |
| Extended Public Works Programme Grant | 247 163 | 247 163 |
| Integrated National Electrification Programme Grant | 12 280 906 | 5 951 003 |
| Water Services Infrastructure Grant | - | 49 125 817 |
| Municipal System Improvement Grant | 1 024 338 | 1 024 338 |
| | 24 925 059 | 76 249 691 |

Movement during the year

| | | |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 79 349 364 | 70 293 009 |
| Additions during the year | 69 426 475 | 69 308 585 |
| Income recognition during the year | (47 084 594) | (50 252 230) |
| Offsetting against withheld equitable share | (73 666 513) | (10 000 000) |
| Written-off | - | (3 099 673) |
| | 28 024 732 | 76 249 691 |

These amounts are invested until utilised in term of section 12 of the MFMA.

19. Long service awards

The Municipality offers all employees Long Service Leave Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2020.

The Municipality also offers all employees Long Service Cash Bonuses for every five years of service completed, from five years of service to 45 years of service, inclusive.

Employees will also be eligible to receive a long service voucher upon reaching 25 years of service, with a maximum value of half of the monthly earnings of the recipient.

Financial Assumptions

| | |
|---|-------|
| Discount rate | 7.30% |
| General earnings inflation rate (long-term) | 3.95% |
| Net effective discount rate | 3.22% |

The earnings used in the valuation include an increase on 1 July 2020 of 6.25% as per the SALGBC Circular No. 02/2020.

The next general earnings increase was assumed to take place on 1 July 2021.

Demographic Assumptions

| | |
|-----------------------------|----------|
| Average retirement age | 62 |
| Mortality during employment | SA 85-90 |

Withdrawal from service (sample annual rates):

| Age | Female | Male |
|-----|--------|------|
| 20 | 9% | 9% |
| 30 | 6% | 6% |
| 40 | 5% | 5% |
| 50 | 3% | 3% |
| 55 | 0% | 0% |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|-------------------|-------------------|
| 19. Long service awards (continued) | | |
| Changes in the present value of the long service liability is: | | |
| Opening balance | 12 346 997 | 10 160 946 |
| Net expense recognised in the statement of financial performance | 2 693 003 | 2 186 051 |
| | 15 040 000 | 12 346 997 |
| Current liability | 2 165 591 | 945 857 |
| Non-current liability | 12 858 000 | 11 401 140 |
| | 15 023 591 | 12 346 997 |
| Net expense recognised in the financial statement performance | | |
| Current service cost | 1 209 434 | 973 849 |
| Interest cost | 972 059 | 821 450 |
| Expected employee benefit vesting | (945 857) | (1 175 699) |
| Actuarial (gain)/loss | 1 457 367 | 785 455 |
| Past service costs | - | 780 996 |
| | 2 693 003 | 2 186 051 |
| Amounts for the current and previous year are as follows: | | |
| Amounts for the current and previous year are as follows | | |
| Unfunded accrued liability | 15 040 000 | 12 346 997 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

20. Provisions

Reconciliation of provisions - 2020

| | Opening Balance | Additions | Change in discount factor | Total |
|------------------------------|--------------------|------------|---------------------------------|------------|
| Environmental rehabilitation | 77 909 259 | 17 452 186 | 1 616 072 | 96 977 517 |

Reconciliation of provisions - 2019

| | Opening Balance | Additions | Total |
|------------------------------|--------------------|------------|------------|
| Environmental rehabilitation | 63 270 749 | 14 638 510 | 77 909 259 |

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

The valuation for the landfill site was performed by Mr S Nel, a Professional Civil Engineer from Bosch Munitech Pty Ltd.

As the landfill sites have not been rehabilitated at all, the provision required for these sites will be the full closure cost for the sites as at 30 June 2020 in terms of the licence condition of the sites at the time of closure.

| The sites under consideration are: | Rehab Area(Ha) | Future Geohydro Obligation | Future Rehab Obligation |
|------------------------------------|----------------|----------------------------|-------------------------|
| - Modimolle landfill site | 8.5 Ha | R 0 | R 40 397 148 |
| - Vaalwater landfill site; and | 2.0 Ha | R 0 | R 9 851 148 |
| - Mookgophong landfill site | 9.5 Ha | R 0 | R 45 113 148 |

The rehabilitation costs of landfill sites that are to be permanently closed are present day values, and will occur when the landfill site is rehabilitated.

There are no geohydrological costs at time of rehabilitation

In calculating the provision for rehabilitation, the following four items have been considered and included:

1. Direct Contract Cost
2. Indirect Professional Fees
3. Indirect disbursements
4. Escalation

21. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Refuse removal | 20 018 640 | 18 231 385 |
| Sale of electricity | 187 558 458 | 158 172 992 |
| Sale of water | 71 797 752 | 62 529 258 |
| Sewerage and sanitation charges | 29 847 738 | 15 673 375 |
| | 309 222 588 | 254 607 010 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|---|------------------|------------------|
| 22. Sundry income | | |
| Advertising boards | 18 017 | 11 838 |
| Building plan approval fees | 277 994 | 131 457 |
| Cemetery fees | 359 734 | 333 138 |
| Clearance and valuation certificate | 384 367 | 446 255 |
| Library fees | 10 477 | 13 431 |
| Tender documents | 297 847 | 172 841 |
| Handling fees | 1 146 445 | 1 103 582 |
| Connection and reconnection fees | 559 774 | 356 416 |
| Staff recoveries | 750 565 | 715 229 |
| | 3 805 220 | 3 284 187 |
| 23. Investment revenue | | |
| Interest revenue | | |
| Bank | 1 141 167 | 2 376 592 |
| | - | - |
| | 1 141 167 | 2 376 592 |
| 24. Rental of facilities and equipment | | |
| Premises | | |
| Premises | 263 397 | 260 325 |
| Facilities and equipment | | |
| Rental of facilities | 235 790 | 164 340 |
| Premises | 263 397 | 260 325 |
| Garages and parking | - | - |
| Facilities and equipment | 235 790 | 164 340 |
| | 499 187 | 424 665 |
| 25. Agency services | | |
| Vehicle Registration | 6 063 003 | 6 472 998 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

26. Property rates

Rates received

| | | |
|----------------------|-------------------|-------------------|
| Property rates | 120 967 432 | 86 713 241 |
| Less: Income forgone | (23 460 003) | (12 715 427) |
| | 97 507 429 | 73 997 814 |

Valuations

| | | |
|--|----------------------|----------------------|
| Business and Commercial | 1 492 528 000 | 458 085 350 |
| Farm Properties - Agricultural Purposes | 9 216 523 500 | 7 599 969 592 |
| Farm Properties Residential Properties | 867 544 000 | 68 850 000 |
| Formal and Informal Settlements | - | 4 184 000 |
| Industrial Properties | 63 521 000 | 271 942 450 |
| Municipal Properties | - | 870 635 623 |
| Privately Owned | - | 503 525 723 |
| Public Benefit Organisations | 13 295 000 | 65 387 000 |
| Residential Properties - Developed | 4 858 208 000 | 4 123 029 195 |
| Residential properties - Vacant land | 655 602 000 | 242 077 280 |
| Mining | 42 361 000 | - |
| Private Open Space | 89 670 000 | - |
| Public Service Purpose | 212 700 000 | - |
| Religious Use Property | 52 702 000 | - |
| State owned properties - National government | - | 99 529 200 |
| State owned properties - Provincial government | - | 5 623 000 |
| Public service infrastructure | 23 825 000 | - |
| | 7 588 479 500 | 4 312 838 413 |

In terms of Section 32 (1) (b) Municipal Property Rates Act 2004, valuations on land and buildings are to be performed every 4 years. The last general valuation was completed and came into effect on 1 December 2019.

Interim supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates of 20% (2019: 20%) are granted to residential and state property owners.

Interest at 12.65% per annum (2019: 12.65%) is levied on rates that are outstanding after due date .

27. Licences and permits (non-exchange)

| | | |
|--------------------|---------|---------|
| Road and Transport | 531 429 | 201 552 |
|--------------------|---------|---------|

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

28. Government grants and subsidies

Operating grants

| | | |
|---------------------------------------|--------------------|--------------------|
| Equitable share | 108 220 514 | 100 804 000 |
| Financial Management Grant | 3 000 000 | 4 115 000 |
| Municipal Infrastructure Grant | 1 820 609 | 1 120 139 |
| Expanded Public Works Programme Grant | 1 000 000 | 773 837 |
| Services in Kind | - | 68 322 554 |
| Municipal Disaster Relief Grant | 336 870 | - |
| Municipal System Improvement Grant | - | 30 662 |
| Skills Development Grant | 239 971 | 291 585 |
| | 114 617 964 | 175 457 777 |

Capital grants

| | | |
|---|--------------------|--------------------|
| Municipal Infrastructure Grants | 25 364 740 | 26 541 232 |
| Integrated National Electrification Programme Grant | 10 719 094 | 4 048 997 |
| Water Services Infrastructure Grant | 4 642 181 | 13 330 779 |
| | 40 726 015 | 43 921 008 |
| | 114 617 964 | 175 457 777 |
| | 40 726 015 | 43 921 008 |
| | 155 343 979 | 219 378 785 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|--------------------|
| Conditional grants received | 47 084 595 | 119 109 977 |
| Unconditional grants received | 108 220 514 | 100 804 000 |
| | 155 305 109 | 219 913 977 |

Equitable Share

The Equitable Share is an unconditional grant and in terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The allocation as per the DORA for the current financial period was R 109 995 000 (2019: R 100 804 000) and the municipality did not receive the full allocation as it was off-set against refundable unspent conditional grants due to National Treasury as follows.

| | 2020 | 2019 |
|---|-------------------|-------------------|
| DORA Allocation Schedule | 109 995 000 | 100 804 000 |
| Offsetting against Unspent Water Services Infrastructure Grant | (49 125 817) | (10 000 000) |
| Off-setting against Unspent Municipal Infrastructure Grant | (18 319 579) | - |
| Off-setting against Unspent Integrated National Electrification Programme Grant | (4 958 343) | - |
| Off-setting against Unspent Municipal Demarcation Transition Grant | (1 938 847) | - |
| Balance to be off-set | (1 098 414) | - |
| Net Receipts | 34 554 000 | 90 804 000 |

Municipal infrastructure grant (MIG)

| | | |
|--|-------------------|-------------------|
| Balance unspent at beginning of year | 17 962 523 | 17 797 894 |
| Current-year receipts | 38 558 000 | 27 826 000 |
| Conditions met - transferred to revenue | (27 185 348) | (27 661 371) |
| Off-set against withheld equitable share | (17 962 523) | - |
| | 11 372 652 | 17 962 523 |

Conditions still to be met - remain liabilities (see note 18).

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

28. Government grants and subsidies (continued)

The Municipal infrastructure grant is used to provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities. The allocation as per the DORA for the financial year was R 38 558 000 (2019: R 27 826 000) and the municipality received the full allocation.

Municipal Demarcation Grant

| | | |
|--|-------------|------------------|
| Balance unspent at beginning of year | 1 938 847 | 1 938 847 |
| Off-set against withheld equitable share | (1 938 847) | - |
| | - | 1 938 847 |

Conditions still to be met - remain liabilities (see note 18).

To subsidise the additional institutional and administrative cost arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

Expanded public works programme (EPWP)

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 247 163 | - |
| Current-year receipts | 1 000 000 | 1 021 000 |
| Conditions met - transferred to revenue | (1 000 000) | (773 837) |
| | 247 163 | 247 163 |

Conditions still to be met - remain liabilities (see note 18).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme. The allocation as per the DORA for the financial year was R 1 000 000 (2019: R 1 021 000) and the municipality received the full allocation.

Integrated National Electrification Programme Grant

| | | |
|--|-------------------|------------------|
| Balance unspent at beginning of year | 5 951 003 | - |
| Current-year receipts | 23 000 000 | 10 000 000 |
| Conditions met - transferred to revenue | (10 719 094) | (4 048 997) |
| Off-set against withheld equitable share | (5 951 003) | - |
| | 12 280 906 | 5 951 003 |

Conditions still to be met - remain liabilities (see note 18).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The allocation as per the DORA for the financial year was R 23 000 000 (2019: R 10 000 000) and the municipality received the full allocation.

Water Services Infrastructure Grant

| | | |
|--|--------------|-------------------|
| Balance unspent at beginning of year | 49 125 817 | 47 456 595 |
| Current-year receipts | 3 330 504 | 25 000 000 |
| Conditions met - transferred to revenue | (4 642 181) | (13 330 778) |
| Off-set against withheld equitable share | (47 814 140) | (10 000 000) |
| | - | 49 125 817 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

To facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development.

The allocation as per the DORA for the financial year was R 40 000 000 (2019: R 25 000 000) and the municipality did not receive the full allocation due to unspent rollover from prior financial year.

Housing grant

| | | |
|--------------------------------------|---|-------------|
| Balance unspent at beginning of year | - | 2 901 261 |
| Written-off | - | (2 901 261) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

The balance of the grant was retrospectively written-off through a council decision as having been utilised in prior financial years

National Lottery

| | | |
|--------------------------------------|---|-----------|
| Balance unspent at beginning of year | - | 137 300 |
| Written-off | - | (137 300) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

The balance of the grant was retrospectively written-off through a council decision as having been utilised in prior financial years.

Waterberg District Municipality

| | | |
|--------------------------------------|---|----------|
| Balance unspent at beginning of year | - | 61 112 |
| Written-off | - | (61 112) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

The Waterberg District Council provided a grant-in-aid to assist with the Welgevonden pipeline. The balance of the grant was retrospectively written-off through a council decision as having been utilised in prior financial years.

Financial Management (FMG)

| | | |
|---|---|-------------|
| Current-year receipts | - | 4 115 000 |
| Conditions met - transferred to revenue | - | (4 115 000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).

Municipal system improvement grant (MSIG)

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|------------------|------------------|
| 28. Government grants and subsidies (continued) | | |
| Balance unspent at beginning of year | 1 024 338 | - |
| Current-year receipts | - | 1 055 000 |
| Conditions met - transferred to revenue | - | (30 662) |
| | 1 024 338 | 1 024 338 |

Conditions still to be met - remain liabilities (see note 18).

To assist municipality to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.

Service in Kind

| Financial Grant from Coghsta | 2019 | 2018 |
|---|------------------|----------|
| Transferred Received from Coghsta | 70 000 000 | - |
| Less Expenditure Payment to Service Providers | (68 322 554) | - |
| | 1 677 446 | - |

| Suppliers Name | Transaction Description | Total Amount approved by Exco | Amount Paid | Total amount paid as at 31 March 2019 |
|--|-----------------------------|-------------------------------|-------------------|---------------------------------------|
| Eskom | Electricity | - | 23 553 955 | 23 553 955 |
| SARS | Payment of return | - | 9 412 303 | 9 412 303 |
| Magalies Water | Water Service | - | 15 080 319 | 15 080 319 |
| Auditor General Water | Audit Fees | - | 7 106 113 | 7 106 113 |
| Kenosima Trading and Projects | Water tankering | - | 994 173 | 994 173 |
| Mashi Transport | Plant Hire | - | 138 510 | 138 510 |
| Voltex | Electrical Service | - | 36 049 | 36 049 |
| Madijo | Traffic Protective Clothing | - | 76 537 | 76 537 |
| Matojane Malungana Attorney | Legal Fees | - | 556 938 | 556 938 |
| SITA | IT Service | - | 1 347 213 | 1 347 213 |
| Liebenberg Malan Horn Incorporated | Court Order | - | 3 362 238 | 3 362 238 |
| Tshumishano JV Boka Neo Trading Enterprise | Fleet Management Service | - | 4 480 022 | 4 480 022 |
| Microsoft | Licence Fees | - | 2 178 183 | 2 178 183 |
| | | 70 000 000 | 68 322 553 | 68 322 553 |

The municipality received in-kind support from Provincial government to pay the trade creditors after considering the financial status of the municipality. The Executive Council approved the release of funding to the amount of R70 million received from Cooperative Governance, Human Settlements and Traditional Affairs (Coghsta) for immediate relief to the Municipality for continuity provision of basic services on condition that the Council adopts a resolution on the institution of forensic investigation in the Municipality. R1.6million will be disclosed in the Annual financial statement of Coghsta.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.1 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|---------|--------|
| 29. Fines, Penalties and Forfeits | | |
| Building Fines | 260 800 | 55 549 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|--------------------|--------------------|
| 30. Employee related costs | | |
| Basic | 132 144 062 | 116 681 117 |
| Medical aid - company contributions | 8 263 581 | 8 256 125 |
| Contributions for UIF, pensions and provident fund | 23 544 850 | 24 383 317 |
| WCA | 1 140 250 | 1 068 429 |
| SDL | 1 162 466 | 1 589 533 |
| Other payroll levies(Bargaining council) | 363 118 | 323 240 |
| Leave pay provision charge | 3 517 474 | 3 518 518 |
| Post employment medical contribution plans | 3 787 467 | 12 512 775 |
| Overtime payments | 14 225 206 | 14 045 185 |
| Long-service awards | 383 479 | 1 956 897 |
| Bonus/13th Cheques | 12 592 395 | 8 732 915 |
| Subsistence, travel and car allowances | 8 462 247 | 10 229 145 |
| Housing benefits and allowances | 742 647 | 897 297 |
| Tool allowance | 3 914 | - |
| Standby allowance | 4 505 602 | 5 136 707 |
| Cell phone allowance | 386 132 | 795 318 |
| | 215 854 898 | 210 439 091 |

Remuneration of Municipal Manager(Accounting Officer)

| | | |
|-------------------------------------|----------------|---------------|
| Subsistence allowance - MF Mokoko | - | 41 016 |
| Acting Allowance - Dr. S.M. Mhlanga | 248 249 | - |
| Total | 248 249 | 41 016 |

M.K. was appointed as an Acting Accounting Officer and was remunerated directly from Coghsta, the municipality re-imbursed only the travel claims.

Dr S.M Mhlanga was appointed as Acting Municipal Manager(Accounting Officer) from 30 May 2019 to 31 August 2019. The Acting allowance is R20 687.44 and was paid R248 249.28 for the financial year ended 30 June 2020.t

Remuneration of Chief Financial Officer - Dr. M.S. Mhlanga

| | | |
|---|------------------|----------------|
| Annual remuneration | 882 432 | 784 221 |
| Car allowance | 120 000 | 110 000 |
| Contributions to UIF, Medical and Pension Funds | 195 886 | - |
| Cellphone allowance | 7 000 | 19 250 |
| Subsistence | 41 751 | 24 572 |
| | 1 247 069 | 938 043 |

Dr M.S. Mhlanga is appointed as Chief Financial Officer of the Municipality and was appointed Acting Municipal Manager effective from 30 May 2019 to date.

Remuneration of Acting Chief Financial - Jones Mokwele

| | | |
|---|------------------|----------------|
| Annual Remuneration | 389 319 | 361 572 |
| Travel Allowance | 171 181 | 160 733 |
| Performance Bonuses | 32 443 | 30 463 |
| Contributions to UIF, Medical and Pension Funds | 61 061 | 48 341 |
| Subsistence allowance | 11 292 | 32 239 |
| Acting allowance | 172 906 | - |
| Cellphone allowance | 3 893 | 10 965 |
| | 1 435 038 | 644 313 |

J. Mokwele is appointed as Divisional Manager Budget and Reporting and was appointed as Acting Chief Financial Officer effective from 1 February 2020.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

30. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer - JN Molekoa

| | | |
|---|----------------|----------------|
| Annual Remuneration | 295 850 | 471 021 |
| Car Allowance | 111 122 | 192 518 |
| Performance Bonuses | 42 264 | 39 685 |
| Contributions to UIF, Medical and Pension Funds | 40 603 | 65 855 |
| Cellphone Allowance | 6 200 | 18 600 |
| Subsistence Allowance | 1 471 | 1 526 |
| Acting Allowance | 152 803 | 23 347 |
| | 650 313 | 812 552 |

JN. Molekoa is Divisional Manager Expenditure and Assets and was appointed as Acting Chief Financial Officer up until he resigned effective from 31 January 2020.

Remuneration of Social Services Manager (M.Z. Namate)

| | | |
|---|----------------|------------------|
| Annual remuneration | 68 976 | 824 825 |
| Travel allowance | 7 906 | - |
| Performance bonuses | - | 91 622 |
| Contributions to UIF, Medical and Pension Funds | 18 956 | 196 420 |
| Cellphone allowance | 1 750 | 21 000 |
| Subsistence allowance | 1 704 | - |
| Leave pay | 161 236 | 104 |
| | 260 528 | 1 133 971 |

Remuneration of Corporate Services Manager (H.R.A. Lubbe)

| | | |
|---|------------------|------------------|
| Annual remuneration | 852 851 | 832 181 |
| Travel allowance | 249 739 | 240 366 |
| Bonus | 71 071 | 55 244 |
| Contributions to UIF, Medical and Pension Funds | 10 425 | 1 785 |
| Cellphone allowance | 7 000 | 21 000 |
| Subsistence allowance | 4 154 | 9 215 |
| B.C. Membership fee | 112 | 104 |
| | 1 195 352 | 1 159 895 |

Remuneration of Strategic Planning (D.N. Sinthumule)

| | | |
|---|----------------|----------------|
| Annual Remuneration | 719 192 | 353 495 |
| Travel allowance | 180 000 | - |
| Performance bonuses | - | 90 000 |
| Contributions to UIF, Medical and Pension Funds | 47 954 | 20 279 |
| Cellphone allowance | 7 000 | 10 500 |
| Subsistence allowance | 39 898 | 8 884 |
| | 994 044 | 483 158 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| | | |
|-----------------|------|------|
| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|

30. Employee related costs (continued)

Remuneration of Technical Services Manager (P.Mogodi)

| | | |
|---|------------------|----------------|
| Annual remuneration | 507 172 | 471 021 |
| Travel allowance | 172 938 | 173 081 |
| Bonus | 42 264 | 39 685 |
| Contributions to UIF, Medical and Pension Funds | 148 815 | 134 678 |
| Cellphone allowance | 6 200 | 18 600 |
| Subsistence allowance | 69 254 | 142 536 |
| Acting allowance | 91 751 | - |
| B.C. Membership fee | 112 | 104 |
| | 1 038 506 | 979 705 |

31. Remuneration of councillors

| | | |
|-----------------------------------|-------------------|-------------------|
| Executive Mayor | 1 172 999 | 1 234 204 |
| Chief Whip | 792 076 | 806 941 |
| Executive Committee Members | 2 280 338 | 1 973 238 |
| Speaker | 449 590 | 465 849 |
| Councillors | 7 760 707 | 7 071 912 |
| Councillors' pension contribution | 500 707 | 601 670 |
| | 12 956 417 | 12 153 814 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

31. Remuneration of councillors (continued)

Remuneration of Councillors

| 2020 | Annual Remuneration | Travel Allowance | Cellphone Allowance | Pension Contribution | Medical Contributions | Total |
|---------------------------------|------------------------|---------------------|------------------------|-------------------------|--------------------------|------------------|
| Executive Mayor - M. Van Staden | 750 228 | 222 823 | 61 961 | 84 079 | 53 908 | 1 172 999 |
| Chief Whip - HP Louw | 448 419 | 181 051 | 61 961 | 101 409 | - | 792 840 |
| Speaker - DS Motshwene | 227 645 | 159 984 | 61 961 | - | - | 449 590 |
| | 1 426 292 | 563 858 | 185 883 | 185 488 | 53 908 | 2 415 429 |

| Executive Committee | Annual Remuneration | Travel Allowance | Cellphone Allowance | Pension Contribution | Medical Contributions | Total |
|---------------------|------------------------|---------------------|------------------------|-------------------------|--------------------------|------------------|
| L.W. Kola | 269 703 | 89 901 | 61 961 | 37 084 | 17 839 | 476 488 |
| R.P. Mashaba | 269 703 | 89 901 | 61 961 | 37 084 | - | 458 649 |
| N.G. Mashitisho | 235 143 | 89 901 | 61 961 | 32 332 | 20 529 | 439 866 |
| N.E. Monepya | 234 524 | 89 901 | 61 961 | 32 247 | - | 418 633 |
| | 1 009 073 | 359 604 | 247 844 | 138 747 | 38 368 | 1 793 636 |

| Councillors | Annual Remuneration | Travel Allowance | Cellphone Allowance | Pension Contribution | Medical Contributions | Total |
|---------------|------------------------|---------------------|------------------------|-------------------------|--------------------------|------------------|
| JJ Abrie | 227 645 | 87 264 | 61 961 | 34 147 | - | 411 017 |
| J Baloyi | 177 385 | 67 998 | 61 961 | 26 608 | - | 333 952 |
| CMJ Botha | 203 993 | 67 998 | 61 961 | - | - | 333 952 |
| S Groenewald | 227 645 | 87 264 | 44 268 | 39 661 | 25 063 | 423 901 |
| JM Lebesse | 231 160 | 64 226 | 44 268 | - | - | 339 654 |
| KN Mabunda | 206 028 | 64 226 | 44 268 | 30 904 | - | 345 426 |
| RJ Mahoro | 207 764 | 64 226 | 44 268 | 31 165 | - | 347 423 |
| B Mocke | 264 403 | 82 424 | 44 268 | 39 661 | 4 099 | 434 855 |
| DM Monama | 206 028 | 64 226 | 44 268 | 30 904 | 49 924 | 395 350 |
| LK Moruwe | 231 154 | 64 226 | 44 268 | 34 674 | - | 374 322 |
| MM Mothabela | 206 028 | 64 226 | 44 268 | 30 904 | 31 759 | 377 185 |
| D Phalane | 285 567 | 80 937 | 44 268 | - | - | 410 772 |
| MD Phele | 231 160 | 64 226 | 44 268 | 9 912 | - | 349 566 |
| MM Sethlabi | 206 028 | 64 226 | 44 268 | 30 904 | - | 345 426 |
| JP Prinsloo | 200 179 | 64 226 | 44 268 | 30 027 | - | 338 700 |
| KE Lekalakala | 152 521 | 64 226 | 44 268 | 28 650 | 43 963 | 333 628 |
| SM Seodisa | 218 599 | 64 226 | 44 268 | 32 790 | 35 464 | 395 347 |
| MJ Kekana | 246 889 | 82 424 | 44 268 | 37 033 | - | 410 614 |
| M Mbedzi | 31 161 | 11 333 | 23 878 | - | - | 66 372 |
| NS Monyamane | 191 246 | 68 407 | 22 429 | 28 687 | 32 324 | 343 093 |
| RS Chauke | 119 219 | 60 532 | 14 273 | 17 883 | - | 211 907 |
| LW Monyela | 254 160 | 122 601 | 44 268 | 38 124 | 41 271 | 500 424 |
| | 4 525 962 | 1 525 668 | 954 751 | 552 638 | 263 867 | 7 822 886 |

The Executive Mayor has use of a Council owned vehicle for official duties and a dedicated driver

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

32. Depreciation and amortisation

| | | |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 77 129 724 | 64 554 076 |
| Intangible assets | 1 074 840 | - |
| | 78 204 564 | 64 554 076 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|--------------------|--------------------|
| 33. Impairment of assets | | |
| Impairments | | |
| Property, plant and equipment | 410 493 | 2 774 358 |
| Condition assessment was performed at the end of the financial year and assets whose condition had deteriorated were identified and impairment testing was done to ascertain that the recoverable amount or [recoverable service amount] of the asset based on its value in use has fallen below the stated carrying amount. | | |
| Intangible assets | 76 522 | - |
| | 487 015 | 2 774 358 |
| | 487 015 | 2 774 358 |
| | - | - |
| The main classes of assets affected by impairment losses are: | | |
| Property, plant and equipment | | |
| Intangible assets | | |
| The main events and circumstances that led to the recognition of these impairments are as follows: | | |
| Where indicators for impairment were identified during the verification process, impairment tests were performed as per the Standards of GRAP and as a result of these impairment tests, impairment loss amounting to R487 015 (2019: R2 774 358) was recorded in the Statement of Financial Performance. | | |
| 34. Finance costs | | |
| Trade and other payables | 52 020 171 | 47 496 048 |
| Current borrowings | - | 33 861 |
| Capitalised - Provisions | 1 616 072 | - |
| Post retirement benefits and long service awards | 5 884 381 | 4 821 984 |
| | 59 520 624 | 52 351 893 |
| 35. Lease rentals on operating lease | | |
| Motor vehicles | | |
| Contractual amounts | 5 525 309 | 26 834 903 |
| Equipment | | |
| Contractual amounts | 1 293 344 | 819 431 |
| Plant and equipment | | |
| Contractual amounts | 10 017 501 | (4 474 492) |
| Lease rentals on operating lease - Other | | |
| Contractual amounts | 622 607 | - |
| | 17 458 761 | 23 179 842 |
| 36. Debt impairment | | |
| Contributions to debt impairment provision | - | 8 163 026 |
| Bad debts written off | 17 333 448 | 36 728 545 |
| | 17 333 448 | 44 891 571 |
| 37. Bulk purchases | | |
| Electricity - Eskom | 171 604 719 | 154 181 261 |
| Water | 15 396 560 | 12 025 304 |
| | 187 001 279 | 166 206 565 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|-------------------|-------------------|
| 37. Bulk purchases (continued) | | |
| 38. Contracted services | | |
| Outsourced Services | | |
| Administrative and Support Staff | 204 004 | 104 |
| Burial Services | 45 000 | 22 500 |
| Security Services | 13 744 868 | 16 845 282 |
| Water Takers | 2 294 072 | 6 657 782 |
| Consultants and Professional Services | | |
| Business and Advisory | 19 001 668 | 10 074 199 |
| Legal Cost | 8 858 220 | 16 500 880 |
| Contractors | | |
| Maintenance of Buildings and Facilities | 487 412 | 325 553 |
| Maintenance of Equipment | 4 559 660 | 1 810 018 |
| Maintenance of Unspecified Assets | 2 457 791 | 8 066 511 |
| Transportation | 85 223 | - |
| Sewerage Services | 1 492 097 | 139 845 |
| Presented previously | - | - |
| Outsourced Services | 16 287 944 | 23 525 668 |
| Consultants and Professional Services | 27 859 888 | 26 575 079 |
| Contractors | 9 082 183 | 10 341 927 |
| | 53 230 015 | 60 442 674 |
| 39. General expenses | | |
| Advertising | 443 066 | 481 080 |
| Auditors remuneration | 4 956 796 | 4 581 249 |
| Bank charges | 880 889 | 699 928 |
| Commission paid | 16 478 960 | 7 573 051 |
| Conferences and seminars | 45 142 | 129 379 |
| Consumables | 5 314 725 | 6 346 555 |
| Entertainment | - | 7 464 |
| Municipal services | - | 574 097 |
| Indigent relief | 298 000 | - |
| Fines and penalties | 1 682 120 | 11 693 145 |
| Insurance | 5 064 230 | 6 481 203 |
| Ward committees | 1 648 000 | 1 513 000 |
| Postage and courier | 365 | 1 709 |
| Printing and stationery | 202 654 | 294 982 |
| Protective clothing | 1 541 416 | 102 066 |
| Software expenses | - | 6 199 013 |
| Subscriptions and membership fees | 2 319 923 | 2 134 264 |
| Telephone and fax | 2 106 942 | 1 987 365 |
| Training | 104 711 | 18 297 |
| Travel and subsistence | 1 898 509 | 2 802 434 |
| | 44 986 448 | 53 620 281 |
| 40. Auditors' remuneration | | |
| Fees | 4 956 796 | 4 581 249 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|-------------------|--------------------|
| 41. Cash generated from operations | | |
| Deficit | (64 171 541) | (93 100 208) |
| Adjustments for: | | |
| Depreciation and amortisation | 78 204 564 | 64 554 076 |
| Gain on sale of assets and liabilities | 1 324 312 | 4 365 812 |
| Impairment deficit | 487 015 | 2 774 358 |
| Debt impairment | 17 333 448 | 44 891 571 |
| Movements in retirement benefit assets and liabilities | (3 154 443) | 9 805 231 |
| Movements in provisions | 19 068 258 | 14 638 510 |
| Actuarial gain/loss | (6 917 840) | (3 826 424) |
| Loss on disposals of assets | 1 324 312 | 4 365 812 |
| Other non-cash recoveries | (634 494) | - |
| Other non-cash items -inventory losses | 180 291 | - |
| Changes in working capital: | | |
| Inventories | 2 983 304 | (2 399 244) |
| Other receivables from exchange transactions | (113 925 573) | (24 357 634) |
| Other receivables from non-exchange transactions | (57 765 232) | (19 677 749) |
| Payables from exchange transactions | 270 188 834 | 179 637 970 |
| Unspent conditional grants and receipts | (51 324 632) | (4 430 235) |
| Consumer deposits | 3 328 333 | 1 582 727 |
| | 96 528 916 | 178 824 573 |
| 42. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 78 934 580 | 107 033 023 |
| Total capital commitments | | |
| Already contracted for but not provided for | 78 934 580 | 107 033 023 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|------------|------------|
| 43. Contingencies | | |
| . | | |
| Contingent liabilities | | |
| Pending Legal Cases | | |
| Mahumani Inc obo Alderson Family | - | 4 000 000 |
| Alleged compensation for expropriation of farms at Donkerpoort Dam. | | |
| Mellampus | 4 000 000 | - |
| Case No. 84588/2014 - Municipality must apply for eviction of illegal occupiers at Vaalwater privately owned farm. | | |
| Helen West | 19 897 | 19 897 |
| The malfunctioning of electricity meter leading to overcharging | | |
| Southern Ambition 626 CC | 5 257 302 | 5 257 302 |
| Case No. 5549/2018 -Application proceedings brought by Southern Ambition 626 CC for alleged monies owed by the municipality. | | |
| Arabest 121 CC | - | 35 849 535 |
| Alleged termination of contract without following the proper procedure and or provision of the contract regarding termination | | |
| RR David Nawa | 350 000 | - |
| This is a review application at the Labour Court brought by Mr Nawa | | |
| Phaswane, Johnson and Maluleke | 400 000 | - |
| This is a review application brought br Mr Phaswane and others against the Municipality at the Labour Court. | | |
| D3 Construction CC | 14 221 842 | - |
| Case No. 5637/2019 - Claim for unjustified enrichment against the municipality | | |
| Matomi Moloto Protection Services | 22 543 288 | - |
| Case No. 5716/2019 - Payment of service for security services | | |
| Lesperance Sebenzani Joint VentureCase 1272/2014 - Claim for loss of profit due to cancelation of contract | 4 654 002 | - |
| Triotic Protection Services (Pty) Ltd | 11 670 258 | - |
| Proceedings brought by Triotic for alleged monies owed by the Municipality | | |
| M M Matjiu | 5 000 000 | - |
| Claim for damage and suffering caused by sewerage spillage and loss of income at Erf 1077 Ext 1, Mookgophong | | |
| N J Moagi | 300 000 | - |
| Claim for defamation of character against the previous Municipal Manager brought by Mr N J Moagi | | |
| Voltex (Pty) Ltd t/a Voltex Polokwane | 154 191 | - |
| Case No. 69/2019 - Goods delivered invoices unpaid | | |
| GTL Wholesalers (Pty) Ltd | 13 100 | - |
| Case No. 514/2017 - This is a damages claim against the municipality for the alleged removal of advertising board/signs | | |
| Solidarity obo T Webster | 154 287 | - |
| Payment of Pension Contributions | | |
| Telesure Group Services obo Budget Insurance (Mr T P Shandukani) | 17 097 | - |
| Amount claimed due to damages caused by a motor vehicle collision. | | |
| S.N. Ranamane | - | 596 175 |
| Claim in respect of professional consultancy and advisory services rendered to the Municipality | | |
| Telkom SA | - | 74 430 |
| Claim for damages caused by on the plaintiff's property. | | |
| Phokoane Phasha Attorneys | - | 2 845 860 |
| Maria Sprout | 235 000 | - |
| Case No. LP/MDM/RC 27/2019 - This is a damages claim against the municipality for the alleged injuries sustained as a result of an uncovered manhole | | |
| Give Me Four Trading and Projects | 168 465 | - |
| Case No. 02/2020 - Payment for services rendered and good supplied | | |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|--------------------|--------------------|
| 43. Contingencies (continued) | | |
| Edge Forensic and Risk Consultant | 747 042 | - |
| Case No. LP/MAH/RC/06/18 - This is an action proceedings brought by Edge for alleged monies owed by the municipality. | | |
| Lupikopi Trading & Projects | 240 914 | - |
| Case No. LP/MDR/RC/93/2019 - Claim for payment of outstanding amount for services rendered construction of 3.3ml Steel reservoir and pipeline at Mabatlane | | |
| Kabe Consulting Engineers CC | 1 290 859 | 1 290 859 |
| Case No. 8296/2017 - Proceedings brought by Kabe for alleged monies owed by the Municipality | | |
| NJ Moagi | - | 3 000 000 |
| Claim for defamation of character | | |
| Tshumisano trading cc and baka-neo investments | - | 6 429 891 |
| Claim for alleged non payment of invoices of services rendered | | |
| Tshumisano trading cc and baka-neo investment | - | 5 593 191 |
| Claim for alleged non payment of invoices of services rendered regulation 32 | | |
| Kekamo Projects (Pty) Ltd | 5 259 800 | 5 259 800 |
| Case No. 6706/2018 - Proceedings brought by Kekamo for alleged monies owed by the Municipality | | |
| Maloahe Information Technologies | - | 520 875 |
| Court judgment against the municipality | | |
| MKE Makgato N O & TS Makgato NO obo Kgolo Business Trust | 1 267 912 | 1 267 912 |
| Case No. 2287/2018 - Amount claimed in terms of Acknowledgement of Debt. | | |
| Default Judgment granted Application for rescission of judgement | | |
| Balimi Barui Trading (Pty) Ltd | - | 10 960 675 |
| Case No. 1230/2017 - Amount claimed in terms of unpaid invoices. | | |
| M P Kgasi | 4 100 000 | 4 100 000 |
| Case No. 3652/2016 - Amount claimed for damages to motor vehicle for medical expenses due to accident caused by pothole | | |
| Elaine Jacobsz | 9 980 | 9 980 |
| Case No. 460/2018 - Amount claimed due to damages to vehicle by pothole. | | |
| Telesure Group Services obo Budget Insurance (Mr TP Shandukani) | - | 17 097 |
| Amount claimed due to damages caused by a motor vehicle collision. | | |
| Balimi Barui Trading (Pty) Ltd | 44 024 033 | 44 024 033 |
| Case No. 4315/2017 - Amount claimed for damages, default judgement granted, rescission application issued, application opposed by BBT. | | |
| CXMI(Pty) Ltd & Adv G Malindi NO | 13 595 750 | 13 595 750 |
| Case No. 70315/2018 - Arbitration Award was made an order of Court. A rescission application was issued to set the Court Order aside. | | |
| Akhile Management and Consulting (Pty) Ltd | 5 123 353 | 5 123 353 |
| Case No. 7654/2017 - Services were rendered and invoices unpaid. The matter is defended due to unlawful extension of Service Level Agreement(SLA). | | |
| Genesis Land Developments | 1 564 238 | - |
| Claim for payment of services rendered | | |
| Leagae Construction CC | 119 543 640 | - |
| Claim for payment of outstanding retention money | | |
| | 265 926 250 | 149 836 615 |

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

44. Prior-year adjustments (continued)

2019

| | Note | As previously reported | Correction of error | Restated |
|--|------|------------------------|---------------------|----------------------|
| Inventories | | 2 453 963 | 1 624 258 | 5 423 648 |
| Other receivables | | 7 257 155 | - | 40 610 |
| Receivables from Non-exchange transactions | | 114 714 256 | - | 119 828 127 |
| Receivables from exchange transactions | | 152 504 582 | - | 317 104 866 |
| VAT Receivable | | 84 280 673 | - | 89 200 778 |
| Deposits | | 718 280 | - | 561 614 |
| Cash and cash equivalents | | 167 554 552 | - | - |
| Investment property | | 17 206 951 | - | 27 117 120 |
| Intangible assets | | 4 911 036 | - | 5 900 696 |
| Heritage assets | | 161 314 | - | 161 314 |
| Other financial assets | | 900 000 | - | 133 353 |
| Finance lease obligation | | (19 871) | - | (19 871) |
| Payables from exchange transactions | | (590 703 877) | - | (607 227 284) |
| Consumer deposits | | (19 698 250) | - | (8 914 497) |
| Unspent conditional grants | | (89 053 564) | - | (79 349 364) |
| Long-service awards | | (4 034 254) | - | (929 448) |
| Bank overdraft | | (126 928 639) | - | (21 963 327) |
| | | (277 775 693) | 1 624 258 | (152 931 665) |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 | |
|---|-------------|-------------------------------|---------------------|
| 44. Prior-year adjustments (continued) | | | |
| Statement of financial performance | | | |
| 2019 | | | |
| | Note | As previously reported | Restated |
| Revenue from exchange transactions | | 289 550 441 | 310 575 419 |
| Revenue from non-exchange transactions | | 314 198 170 | 293 432 148 |
| Total expenditure | | (735 743 903) | (695 448 034) |
| Surplus for the year | | (131 995 292) | (91 193 499) |

Errors

The following prior period errors adjustments occurred:

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior year's Inventory balance reported. These corrections were treated as prior period errors and the net effect was as follows:- Decrease R 2 983 568- Expenditure -consumables R 2 983 568

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior year's Property, plant and equipment to capitalise assets identified on municipal land and previously classified as Property Plant and equipment. These corrections were treated as prior period errors and the net effect was as follows:- Increase/Debit Investment Property R 9 910 169
- Increase/Credit Property,plant and equipment - Cost R 9 910 169

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior year's Property Plant and Equipment to reverse disposals that were not approved by council during 2018/2019. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Credit Property,plant and equipment R 1 016 111- Increase/Debit Loss on disposals of PPE R 1 016 111

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior year's Debtors to agree the Control Account and Ageing Analysis and impairment of debtors. These corrections were treated as prior period errors and the net effect was as follows:- Increase/Debit Gross Receivables from non-exchange and exchange transactions R 77 456 987
- Decrease/Debit Impairment on Receivables from non-exchange and exchange transactions R 188 204 484
- Increase/Credit Accumulated Surplus R 77 456 987 and R 188 204 484

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior year's Government grants to correct reconciliation misstatements. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Debit Grant income R 14 122 194
- Increase/Credit Unspent government grants R 14 122 194

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

44. Prior-year adjustments (continued)

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior's cash and cash equivalents to reconcile cash book to the bank balances on the main and investment accounts. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Debit Cash and cash equivalents R 68 021 725
- Increase/Credit Accumulated surplus R 68 021 725

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior's Trade and other Creditors to record all creditors due at year-end and agree Control Account to Age analysis as well as agree advances to Debtors Age Analysis. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Debit Trade and other payables R 14 462 073
- Increase/Credit Accumulated surplus R 14 462 073
- Decrease/Debit Advances R 86 358 774
- Decrease/Credit Trade and other receivables from non-exchange and exchange transactions R86 358 774

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior's Bulk purchases to correct cut-off on recording of invoices. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Credit Bulk Purchases R 19 493 784
- Decrease/Debit Trade payables R 19 493 784

While preparing the annual financial statements for the year ending 30 June 2020, corrections were made to prior's General Expenditure to correct cut-off and completeness of expenditure. These corrections were treated as prior period errors and the net effect was as follows:- Decrease/Debit General expenditure R93 386 847
- Increase/Credit Trade payables/Accumulated surplus R 93 386 847
- Decrease/Debit General expenditure R4 774 827
- Increase/Credit Trade payables/Accumulated surplus R4 774 827

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

45. Related parties

Relationships

Accounting Officer

Councillors

Dr S.M. Mhlanga

Kekana MJ

Groenewald S.

Mocke B.

Monyela L.W.

Baloyi J.

Botha C.M.J.

Lebese J.M.

Mabunda K.N.

Mahoro R.J.

Monama D.M.

Moruwe L.K.

Mothabela M.M.

Phalane

Phele M.D.

Sethlabi M.M.

Prinsloo J.M.

Lekalakala K.E.

Seodisa S.M.

Mbedzi M.T.

Ramogale D.E.

Abrie JJ

Compensation to accounting officer and other key management

Short-term employee benefits

Defined contribution plans

140 770 761 125 260 482

21 065 893 18 969 397

161 836 654 144 229 879

46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

46. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2020 | Less than 1 Year |
|-------------------------------------|---------------------|
| Payables from exchange transactions | 888 379 586 |
| Consumer deposits | 12 260 165 |
| | 900 639 751 |
| At 30 June 2019 | Less than 1 Year |
| Payables from exchange transactions | 607 227 284 |
| Consumer deposits | 8 931 832 |
| | 616 159 116 |

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2020 | 2019 |
|--|-------------|-------------|
| Receivables from non-exchange transactions | 169 585 389 | 119 828 127 |
| Receivables from exchange transactions | 439 038 409 | 317 104 866 |
| Other financial assets | 134 854 | 133 353 |
| Deposits | 588 082 | 561 614 |

47. Financial instruments disclosure

Categories of financial instruments

2020

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

47. Financial instruments disclosure (continued)

Financial assets

| | At amortised cost | At cost | Total |
|--|----------------------|----------------|--------------------|
| Other financial assets | 138 854 | - | 138 854 |
| Trade and other receivables from exchange transactions | 439 038 409 | - | 439 038 409 |
| Other receivables from non-exchange transactions | 169 585 389 | - | 169 585 389 |
| Deposits | - | 588 082 | 588 082 |
| | 608 762 652 | 588 082 | 609 350 734 |

Financial liabilities

| | At amortised cost | At cost | Total |
|---|----------------------|-------------------|--------------------|
| Trade and other payables from exchange transactions | 888 379 586 | - | 888 379 586 |
| Consumer deposits | - | 12 242 830 | 12 242 830 |
| | 888 379 586 | 12 242 830 | 900 622 416 |

2019

Financial assets

| | At amortised cost | At cost | Total |
|--|----------------------|----------------|--------------------|
| Trade and other receivables from exchange transactions | 317 104 866 | - | 317 104 866 |
| Other receivables from non-exchange transactions | 119 828 127 | - | 119 828 127 |
| Deposits | - | 561 614 | 561 614 |
| Other receivables | - | 40 610 | 40 610 |
| | 436 932 993 | 602 224 | 437 535 217 |

Financial liabilities

| | At amortised cost | At cost | Total |
|---|----------------------|-------------------|--------------------|
| Trade and other payables from exchange transactions | 607 227 284 | - | 607 227 284 |
| Bank overdraft | - | 27 395 812 | 27 395 812 |
| Consumer deposits | - | 8 931 832 | 8 931 832 |
| | 607 227 284 | 36 327 644 | 643 554 928 |

48. Going concern

In terms of the accounting standard GRAP 1 paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

As at 30 June 2020, the municipality incurred a deficit of R64 171 541 (2019: R93 100 208) and the municipality's total current liabilities exceed its current assets by R203 785 970. This entails that the municipality will be faced with difficulties in settling its short-term debt obligations when due. The municipality has negotiated payment terms with significant suppliers, furthermore budgetary support has been received from Provincial Treasury to meet the municipality's ability to continue as a going concern.

Despite these glaring financial constraints, the annual financial statements for the financial period ended 30 June 2020 are prepared on a going concern basis.

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|--|--------------------|--------------------|
| 49. Events after the reporting date | | |
| • There were no major events after the reporting date. | | |
| 50. Unauthorised expenditure | | |
| Opening balance as previously reported | 298 553 164 | 203 029 576 |
| Correction of prior period error | - | (45 884 628) |
| Opening balance as restated | 298 553 164 | 157 144 948 |
| Add: Current year expenditure | 85 699 787 | 141 408 216 |
| Closing balance | 384 252 951 | 298 553 164 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

51. Fruitless and wasteful expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 115 265 962 | 68 119 960 |
| Opening balance as restated | 115 265 962 | 68 119 960 |
| Less: Amount written off - current | (115 265 962) | - |
| Add: Current year expenditure | 53 260 446 | 47 533 002 |
| Closing balance | 53 260 446 | 115 652 962 |

The balance of expenditure is under investigation. The decision whether the expenditure / losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written-off is pending the investigation by the Municipal Public Accounts.

52. Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Opening balance as previously reported | 270 642 804 | 190 169 306 |
| Correction of prior period error | - | 58 222 541 |
| Opening balance as restated | 270 642 804 | 248 391 847 |
| Add: Irregular Expenditure - prior period | 30 473 529 | 22 250 957 |
| Less: Amount written off - current | (212 420 627) | - |
| Closing balance | 88 695 706 | 270 642 804 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for Deviations

Deviations as a result of emergency procurement, sec 36(1)(b)
Deviations in minor breaches of procurement, sec 36(1)(b)

Total

| 2020 | 2019 |
|------------------|------------------|
| 2 692 855 | 2 591 427 |
| - | 22 000 |
| 2 692 855 | 2 613 427 |

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------------|------------------|
| Opening balance | 9 288 346 | 7 159 499 |
| Current year subscription / fee | 2 299 073 | 2 128 847 |
| | 11 587 419 | 9 288 346 |

Audit fees

| | | |
|------------------------------|-------------------|------------------|
| Opening balance | 5 586 503 | 7 186 374 |
| Current year audit fee | 5 700 316 | 4 581 218 |
| Interest charges | 823 591 | 528 094 |
| Amount paid - previous years | (400 000) | (6 709 183) |
| | 11 710 410 | 5 586 503 |

PAYE and UIF

| | | |
|------------------------------|--------------|-------------------|
| Opening balance | 14 314 035 | 14 314 035 |
| Current year - PAYE | 26 882 723 | 29 928 975 |
| Amount paid - current year | (26 882 723) | (29 928 975) |
| Amount paid - previous years | (14 314 035) | - |
| | - | 14 314 035 |

Pension and Medical Aid Deductions

| | | |
|------------------------------|-------------------|-------------------|
| Opening balance | 14 314 035 | 14 314 035 |
| Current year deductions | 16 708 690 | 29 928 975 |
| Amount paid - current year | (4 846 227) | (29 928 975) |
| Amount paid - previous years | (14 314 035) | - |
| | 11 862 463 | 14 314 035 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

2020

2019

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

| 30 June 2020 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|-----------------------------------|--|--|----------------|
| CLR KLAAS NONO MABUNDA | 870 | 1 016 | 1 886 |
| CLR KGARETJA ELIZABETH LEKALAKALA | 1 205 | - | 1 205 |
| CLR NTLOGELEN GRACE MASHITISHO | 564 | 12 836 | 13 400 |
| CLR LUCY KGADI MORUWE | 950 | - | 950 |
| CLR MATSOBANE DANIEL PHELE | 1 021 | 10 756 | 11 777 |
| CLR REWAHLA PATRICK MASHABA | 1 614 | 472 | 2 086 |
| CLR RUFUS JAN MAHORO | 563 | 11 943 | 12 506 |
| CLR MMAKOMA MARIA SETHLABI | 1 471 | 29 088 | 30 559 |
| CLR DINGAAN SOLLY MOTSHWENE | 292 | 2 861 | 3 153 |
| CLR MICHEAL MBEZI | 3 776 | 147 771 | 151 547 |
| CLR JOHANNES JACOBUS ABRIE | 172 | - | 172 |
| CLR JOHAN PRINSLOO | 508 | - | 508 |
| CLR STOSSEL SEODISA | 933 | 12 741 | 13 674 |
| CLR JAN BALOYI | 1 033 | 30 560 | 31 593 |
| CLR LESETJA WILLIAM MONYELA | 456 | - | 456 |
| CLR MAPHUTI MARGARET MOTHABELA | 433 | 10 019 | 10 452 |
| CLR DINAH MAHLATSE MONAMA | 787 | 5 570 | 6 357 |
| CLR NONINI ESTHER MONEPYA | 581 | - | 581 |
| | 17 229 | 275 633 | 292 862 |

| 30 June 2019 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|-----------------------------------|--|--|----------------|
| CLR KLAAS NONO MABUNDA | 1 381 | 6 590 | 7 971 |
| CLR KGARETJA ELIZABETH LEKALAKALA | 3 051 | 2 527 | 5 578 |
| CLR NTLOGELEN GRACE MASHITISHO | 724 | 9 489 | 10 213 |
| CLR LUCY KGADI MORUWE | 761 | - | 761 |
| CLR MATSOBANE DANIEL PHELE | 1 480 | 14 875 | 16 355 |
| CLR REWAHLA PATRICK MASHABA | 369 | - | 369 |
| CLR RUFUS JAN MAHORO | 551 | 8 800 | 9 351 |
| CLR MMAKOMA MARIA SETHLABI | 1 664 | 20 567 | 22 231 |
| CLR DINGAAN SOLLY MOTSHWENE | 392 | 1 087 | 1 479 |
| CLR MICHEAL MBEZI | 4 636 | 124 589 | 129 225 |
| CLR HERCULES PETRUS LOUW | 110 | - | 110 |
| CLR JOHANNES JACOBUS ABRIE | 80 | - | 80 |
| CLR JOHAN PRINSLOO | 1 918 | - | 1 918 |
| CLR STOSSEL SEODISA | 864 | 7 231 | 8 095 |
| CLR JAN BALOYI | 1 386 | 24 350 | 25 736 |
| CLR LESETJA WILLIAM MONYELA | 346 | - | 346 |
| CLR MAPHUTI MARGARET MOTHABELA | 455 | 7 007 | 7 462 |
| CLR DINAH MAHLATSE MONAMA | 958 | 908 | 1 866 |
| CLR NONINI ESTHER MONEPYA | 545 | - | 545 |
| | 21 671 | 228 020 | 249 691 |

Modimolle-Mookgophong Local Municipality

(Registration number LIM 368)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

| Figures in Rand | 2020 | 2019 |
|-----------------|------|------|
|-----------------|------|------|

55. Electricity and water losses

Heading

| | | |
|---------------------------------------|------------------|-------------------|
| Units purchased kWh | 127 703 208 | 132 581 198 |
| Units sold kWh | 107 800 118 | 102 139 136 |
| Distribution loss | 19 903 090 | 30 362 257 |
| Percentage loss | 16 | 23 |
| Electricity loss in rand value | 9 470 879 | 33 957 260 |

The electricity loss is due to theft, distribution losses and illegal tampering of electricity meters and Technical Losses due to insufficient maintenance.

Water losses

| | | |
|----------------------|------------------|------------------|
| Units purchased KL | 2 572 956 | 5 069 446 |
| Units sold KL | - | 3 366 244 |
| Distribution loss KL | 990 538 | 1 703 202 |
| Percentage loss | 16 | 34 |
| | - | - |
| | - | - |
| | 5 398 432 | 9 578 832 |

Water loss in rand value

The water loss is due to theft, maintenance, distribution losses and illegal tampering of water meters.